ANNUAL REPORT OF THE POSTMASTER GENERAL

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

APRIL 22, 1981

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ANNUAL REPORT OF THE POSTMASTER GENERAL

WEDNESDAY, APRIL 22, 1981

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met at 8 a.m., in room 3302, Dirksen Senate Office Building, Hon. Ted Stevens, presiding.

Present: Senators Stevens, Durenberger, and Mattingly.

Staff present: Wayne A. Schley, Jamie Cowen, and Pat Halcomb.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Good morning. It is nice to see you here this early in the morning, Mr. Postmaster General.

The hearing this morning before this committee has a twofold purpose: One, to facilitate the Postal Service in complying with title 39 of the United States Code, section 240 1(g), by providing the opportunity for the Postmaster General, Mr. Bolger, to submit a "comprehensive statement" on the operations and plans of the U.S. Postal Service; and two, to provide an opportunity for Members of the Senate to review the past actions and future plans of the Postal Service.

This is the third hearing held in the Senate on postal matters since the beginning of this Congress. We will have another hearing at 8 a.m. in room 5110 on April 29 dealing further with the implementation of the "ZIP + 4" or nine-digit ZIP code proposal.

Other than the overall budget cuts and various plans of the Department of Defense, the issues affecting the U.S. Postal Service are the most talked about in Washington these days. Frankly, I feel that is a good sign. All too often postal matters become buried and thus not enough attention is paid or consideration given to the help Congress may be able to provide the U.S. Postal Service in carrying out their mandate.

Few Federal agencies affect the daily lives of Americans as much and as often as the U.S. Postal Service. There are still millions of Americans in our land whose only connection with the outside world is through the U.S. mail. Whether it is correspondence with loved ones across the Nation, shipment of foodstuffs, clothing, machinery and agriculture goods, or receipt of educational and cultural publications, many people are dependent upon the Postal Service. Too often the average American does not truly understand or in many cases appreciate the tremendous responsibility and challenge involved in maintaining one of the largest agencies in the Federal Government.

We often hear complaints about slow mail delivery or about what appears to be inefficient postal workers. But when you com-

pare the U.S. Postal Service with the postal service of other nations, we have not only the most efficient and most productive postal workers but we still have the most economical, reliable, and the swiftest postal delivery system in the world today.

Mr. Bolger, as chairman of the Subcommittee on Civil Service, Post Office, and General Services, I commend you and the entire community of postal workers which you represent for the outstanding job that you continue to do. I am anxious to hear the status of the Postal Service and your proposals to improve the service to the American public.

When we originally set the time for this hearing, we were scheduled to be in session. Our new policy is to have the hearings of the subcommittee as often as possible at 8 a.m. We are out of session. I apologize for the early hour. But since the Postal Service gets started at the break of day, I am sure you have no objection to being here at this time of the morning.

Mr. BOLGER. Mr. Chairman, I applaud you.

Senator STEVENS. My colleagues and I are happy to see you here.

TESTIMONY OF WILLIAM F. BOLGER, POSTMASTER GENERAL, U.S. POSTAL SERVICE, ACCOMPANIED BY JAMES JELLISON, SENIOR ASSISTANT POSTMASTER GENERAL FOR OPERATIONS, AND LOUIS COX, GENERAL COUNSEL

Mr. BOLGER. I am accompanied by Jim Jellison, Senior Assistant Postmaster General for Operations, and our General Counsel, Louis Cox.

As you know, I have already submitted the comprehensive statement. I have a brief opening statement, if I am permitted to give it.

Senator STEVENS. Please.

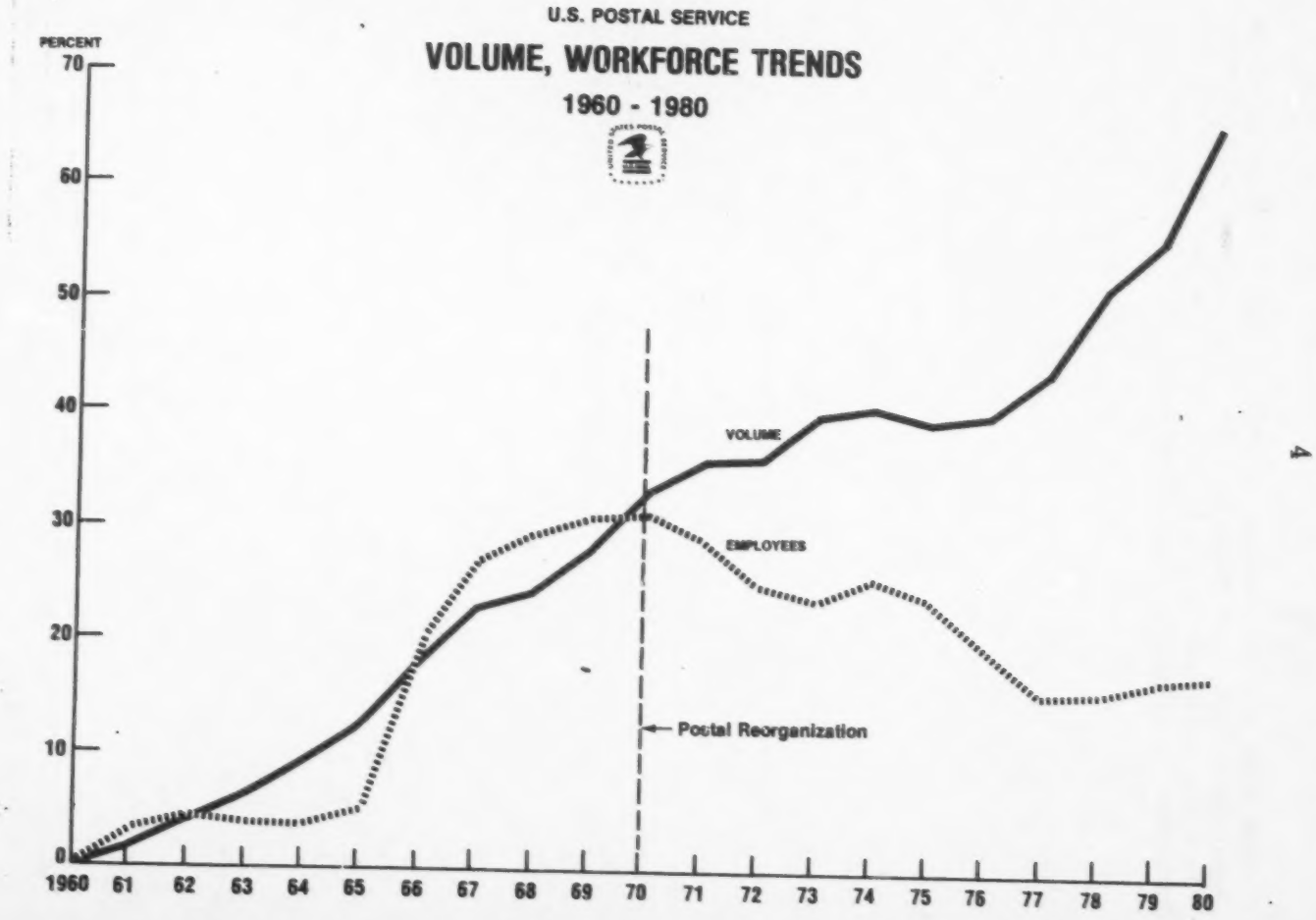
Mr. BOLGER. Mr. Chairman, sometimes in sessions like this we tend to focus on the problems and potential problems of the moment and the larger picture may not receive its due. The basic message I bring you today is that the condition of the Postal Service overall is fundamentally sound. We have a leaner, stronger, and better working system now than we have had before in my years with the post office.

Let's take a brief look at some of the principal indicators of how the Postal Service is doing.

First is mail volume. This is where the American people tell us most directly what kind of job we are doing to provide them the service they need. Last year we had the biggest single-year increase in volume in our history. We handled almost 6½ billion more pieces than the year before, for a total of over 106 billion pieces. This is the kind of success that builds a healthy postal system.

We also became more productive. Last year the Postal Service increased the number of pieces handled per workyear by 5.5 percent compared to the previous year. The 20-year picture covering the 10 years before and the 10 years after postal reorganization is shown in a table attached to my statement. This table illustrates how increases in mail volume before 1970 generally were matched by increases in the work force, while after 1970 we have reduced the work force as the volume trend has continued upward. I might add we reduced that work force by attrition.

This kind of improvement is reflected in the financial statements. Over the 34 months that the 15-cent stamp was in effect, the Postal Service was able to finish in the black, that is, operate within our income, including subsidies.


U.S. POSTAL SERVICE
VOLUME, WORKFORCE TRENDS
1960 - 1980
PERCENT
70
60
50
40
30
20
10
0
VOLUME
EMPLOYEES
Postal Reorganization
1960
61
62
63
64
65
66
67
68
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Mr. BOLGER. To fully appreciate this progress, it is necessary to think back 6 or 7 years to the last time we had to deal with economic stagflation on the present scale. At that time mail volumes were down and the postal deficit exceeded $2 billion over a 2-year period.

So we have made great progress since then. But we can't stand still. We have to continue to apply the lessons we have learned, and build on the progress we have made, in order to continue doing the job.

First of all, we must continue to have rate stability, of the sort which has led the way for our surge in volume and our recent financial success. By refusing to permit the rate adjustments needed to keep rates stable for 2½- to 3-year periods, the Postal Rate Commission could negate all I have said about a healthy and stable financial picture.

This country needs to get control of its inflation problem. The Postal Service will do its part in the present effort to control Federal spending. We are willing to accept the proposed reductions in our budget.

We need a more rational pattern of labor-management relations in the Postal Service. I have asked for a bargaining unit determination which should provide this.

We need the opportunity to continue improving productivity—and automation of letter mail processing is the key, with the added help of the ZIP+4 code.

Opportunities to continue making needed progress are available. In addition to automation, the important areas include eliminating unnecessary regulations, introducing new services like electronic mail, and improving safety. If we seize these opportunities, the prospects for a healthy and improving Postal Service in the years ahead are very good. I am proud of the job that the men and women of the Postal Service are doing. I know we can do better, and I know we will do better. Thank you.

Senator STEVENS. Thank you very much.

Do any of the other gentlemen with you wish to make a statement at the beginning?

Mr. BOLGER. No, sir.

Senator STEVENS. We will follow the procedure that each of us will have 5 minutes. We will rotate our questioning, Mr. Postmaster General, so that we might be certain that the other Senators have a chance to participate.

Let me first tell you that I have received correspondence from the two Senators from Maryland concerning your proposed training facility in Potomac, Md. I believe it would be better if we submitted those questions to you for the record and ask you to respond in writing so that we might give the answers to the two Senators, neither of whom could be here this morning.

Mr. BOLGER. We will be pleased to do so.

Senator STEVENS. I have some similar problems concerning Alaska that I want to submit to you in writing so we can have them here in the record. They pertain to the problems of vandalism of mailboxes, forced mail contracts and problems regarding maintenance and the age of some vehicles that are used in the

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Postal Service. I would ask you respond to our questions for the record on that.

Mr. BOLGER. We will be glad to do so.

Senator STEVENS. You mentioned in your statement the notice that you sent to all of us—I believe you sent it to all of us—concerning your petition to the NLRB. I would ask that we put in the record here the memorandum that you sent to us concerning this.

[The responses of Mr. Bolger to written questions submitted by Senators Stevens, Mathias, and Sarbanes, and the letter and memorandum referred to follow:]

U.S. POSTAL SERVICE RESPONSES TO QUESTIONS SUBMITTED BY SENATOR STEVENS

1. How does the Postal Service set rates so that the legislative mandate and sound economics are followed in a way that insures (a) users of each class pay their own way, (b) public interest needs are met, and (c) rates charged are consistent and understandable?

Postal rates are set following a process prescribed in § 3622 of title 39, United States Code. The Postal Service files a request for a recommended decision with the Postal Rate Commission. Various parties representing the public, customers and competitors participate in the proceedings. Each intervenor presents its case during the hearings. The Postal Rate Commission makes a recommendation for new rates to the Governors of the Postal Service.

In preparing its case, the Postal Service conducts studies to determine the amount of costs that are attributable, or caused by each class of mail or type of mail service. By setting rates in this manner, cross subsidization is avoided.

Because the Postal Service is required to cover all costs of mailing, institutional costs are also assigned to mail classes. This step is guided by the following criteria:

(1) the establishment and maintenance of a fair and equitable schedule;

(2) consideration of the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;

(3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;

(4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;

(5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

(6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;

(7) the educational, cultural, scientific, and informational value to the recipient of mail matter.

2. I understand that the new economic theories have provided added insights into the desirability of a Postal Service natural monopoly position and its vulnerability to "cream skimming". Will you explain what economic and social damages might result from cream skimming that could result from relaxing the private express statutes?

The Postal Service maintains the most extensive delivery network in the world in order to fulfill its statutory mandate to provide universal postal services at uniform rates. Such a delivery network carries with it heavy fixed costs which must be fed with heavy volumes of mail in order to fulfill another statutory mandate—to operate a self-sustaining postal system. Put in another way, mail carriers must serve their routes whether there is a heavy or light volume of mail, with only the former capable of meeting the costs of the delivery network. Consequently, the Postal Service is quite vulnerable to volume diversion caused by private delivery services which are not required to serve every area of the country or to maintain strictly regulated rates.

Private delivery entrepreneurs, quite naturally interested in realizing a profit from their activities, would not accept the service mandate now given to the Postal Service. Rather, they would move into high-volume, low-cost, geographically compact routes, such as within or between major metropolitan areas, leaving the rural, less accessible, or low-volume routes to be served by the Postal Service. The resultant diminution of mail volume, and therefore revenues, with no concomitant less-

ening of postal costs, would set off a cycle of continuing rate increases. These rate increases would work a financial hardship on those mailers who must use the Postal Service to conduct their personal or business affairs or would drive more mailers who could take advantage of alternate delivery services away from the Postal Service, exacerbating the revenue loss-rate increase spiral.

Significant volume and revenue losses could force the Postal Service to forego needed capital investments to improve the speed and reliability of postal operations, including the purchase of automated equipment which holds the promise of significant savings in mail processing operations. As revenues decrease, the Postal Service would also be forced to think about cutting back on essential services to those areas still served by it. In addition, serious volume and revenue losses could lead the Postal Service to exercise its authority under the collective bargaining agreement with its employee unions to reduce its work force. Other benefits which the public will lose if the universal postal system is allowed to be fractured in favor of a multitude of private firms are the free forwarding of mail within the same system, a unified claims procedure for lost or damaged articles, a single law enforcement agency for all violations of postal law, and a more efficient single transportation network monitored by a single entity, among other things. In addition, the public will forego over two hundred years of trust in the integrity of the postal system and its employees and the intangible benefit of a universal system tasked with "* * * bind[ing] the Nation together through the personal, education, literary, and business correspondence of the people".

3. How does the Postal Service set rates so that some groups don't benefit unfairly at the expense of others? For example, how do you prevent cross-subsidization from, say, second-class to fourth-class?

As noted in our response to Question Number 1, in preparing a rate case, the Postal Service conducts studies to determine the amount of costs that are attributable, or caused by each class of mail or type of mail service, and by setting rates in this manner assures that cross-subsidization is avoided.

4. I have received a number of complaints both in Anchorage and in the Fairbanks area of vandalism of roadside mailboxes. What is the Postal Service policy regarding protection of the sanctity of the U.S. Mail, not just in Alaska, but nationwide?

The protection of mail against thefts and the apprehension of persons responsible for such thefts are matters of the highest priority to the Postal Inspection Service, and a substantial portion of its resources are devoted to creating a postal environment as free from criminal attack as possible.

The vandalism of mailboxes, when not accompanied by the theft or damage of mail matter, is indeed a matter of concern; however, there are seldom any witnesses or any physical evidence to assist in the identification of offenders in these cases. When offenders can be identified, they are frequently juveniles who are most appropriately dealt with by authorities at the non-Federal level. For these reasons, we rely heavily on the watchful assistance of the public and local law enforcement agencies for the prevention and investigation of vandalism, and on local courts and juvenile authorities for judicial action when suspects are apprehended.

5. The whole question of allocating equitable mail to the various airlines serving the bush points in Alaska has been increasingly controversial. For many years Wien Airlines was the only airlines serving the bush, and they subcontracted out less profitable routes to air taxi services. Some of these services have now become accredited airlines and are seeking to get out from under the Wien contracts in order that they may reap the full share of the mail contract. What steps is the Postal Service taking to insure that all Alaskan airlines are given equal treatment in carrying U.S. mail to the bush points?

In order for an air carrier to transport mail it must be certificated by the Civil Aeronautics Board except where the Postal Service determines that certificated service is not adequate for its purposes, in which case the Postal Service may contract for the transportation of mail with an air taxi operator under the provisions of Section 5402(c), title 39, U.S. Code. This includes air carriers who are certificated for intra-Alaska air service.

The Postal Service makes equitable distribution of mail to accredited carriers where air carriers provide comparable service at approximately the same cost, in accordance with priority of tender criteria as set forth in Postal Service regulations, that is, Methods Handbook Series M-31, Domestic Air Service Instructions, to wit:

116.3 GENERAL OPERATING GUIDELINES.

.31 The TMO manager issues instructions for the dispatch of mail on an equitable basis taking the following factors into consideration:

a. USPS Delivery Standards.

b. Arrival time and processing requirements at the receiving postal facility.
c. Manpower and processing capabilities at both postal origin and destination.
d. Costs.
e. Adequacy of terminal facilities at both dispatching and receiving locations.
f. Connections with Sectional Center Facility (SCF) dispatches and other air and surface transportation.
g. Time flight must arrive at the airport to meet arrival time and delivery requirements referred to in 116.31b.
h. Dependability of the carrier's service.

.32 In selecting between alternate schedules when dispatching loose sack or standard container mail on an equitable basis, apply the following priorities:
a. Carrier providing container service vs. carrier providing loose sack service.
b. Non-stop flights.
c. Direct flights with intermediate stops.
d. Routings with intra-line transfers.
e. Routings with inter-line transfers.

At present there are nine carriers certificated for intra-Alaska air service. However, they do not provide service throughout Alaska but rather only to designated points. Seven of these carriers are sharing in the equitable distribution of this mail in accordance with the above criteria. The remaining two are not because they have not advised the Seattle TMO, as requested by the USPS Western Region office, of schedules of their service as required by law.

The schedules afford the Postal Service the opportunity to determine whether mail can or should be tendered to them in accordance with our established criteria. Until such time as these two carriers comply with the requirements, we are unable to consider them in the equitable distribution of mail dispatches.

We have taken every step to assure that all air carriers certificated for intra-Alaska service and who provide timely schedules for mail dispatches have been given equitable treatment in carrying U.S. mail to the bush points.

6. We have had numerous complaints from employees and the public alike with regards to the dilapidated condition of postal vehicles in Alaska. It is my understanding that they are not only expensive to maintain but are in many cases a safety hazard to both the driver and the general public. What steps are you taking to insure that vehicles which must work in exceptionally harsh climates are maintained properly and are replaced by new modern vehicles when appropriate? Do you have the same replacement schedule for vehicles used in the sun belt as those in the northern tier of states, and especially Alaska?

It is more expensive to maintain postal vehicles in Alaska. Maintenance labor and service costs are approximately double in Alaska. Parts are approximately 60 percent higher than state side parts cost. The Postal Service has only one vehicle maintenance facility in Alaska (Anchorage). Vehicle maintenance at Fairbanks and Juneau is by outside contract.

The Postal Service is having problems retaining vehicle mechanics due to the higher wages paid in commercial garages in Alaska compared to wages paid in the Postal Service.

Approximately 83 percent of the postal fleet in Alaska requires one-half-ton vehicles due to the large volumes of parcel post mail. The number of small one-quarter-ton delivery vehicles account for less than 1 percent of the total postal fleet compared to about 70 percent state side.

The Postal Service has not purchased one-half-ton vehicles since 1974 due to the much higher costs and small quantity of one-half-tons required in the postal fleet. Postal procurement for this fiscal year calls for 5,000, one-half-ton vehciles. This will allow for the replacement of all one-half-ton vehicles in Alaska providing the procurement is successful.

The average age nationally of one-half-ton postal vehicles is 7.14 years compared to an average of 5.4 years in Alaska.

In October 1979, one-half-ton postal vehicles in Alaska were refurbished—getting all needed repairs and new paint jobs. Auto mechanics were sent from the Western Postal Region to Alaska to accomplish the refurbishing project. In addition, two heaters have been installed in many of the Alaska vehicles for driver comfort. Vehicles are equipped with engine warmers to reduce starting problems. Some inside parking is provided, engines are fine tuned, winterized with special chemicals and lubricants to cope with the severe cold temperatures. We have had no previous reports that postal vehicles in Alaska are unsafe. We will order an investigation into the report of unsafe vehicles in Alaska. Any unsafe conditions will be corrected.

Postal replacement policy has the same replacement schedule for all vehicles. The schedule is flexible in that it has an equivalent age factor which allows the calendar age of vehicles to be adjusted by two years due to mileage and repair costs. Vehicles

can be moved up or back by two years for replacement depending upon the equivalent age factor.

U.S. POSTAL SERVICE RESPONSES TO QUESTIONS SUBMITTED BY SENATOR MATHIAS

1. Does the Postal Service have a zoning variance or special exception from the Montgomery County Government for this project? If not, when will one be received?

On August 6, 1980, the Postal Service submitted a request for site location approval regarding the Potomac, Maryland site, to the National Capital Planning Commission and the Montgomery County National Capital Park and Planning Commission in accordance with local law. The two local government entities approved the site location on October 2, 1980. Approval by the two bodies for a school at the Potomac location indicates that the intended use conforms to present zoning and a zoning variance or special exception is not required. Further, although sovereignty of the Federal establishment is superior to the entity establishing zoning, the Postal Service has agreed to comply fully with the objectives of established zoning requirements of local jurisdictions.

2. Is there a separate Postal Service account for this project and is it separate from appropriated funds?

There is a separate Postal Service Account; however, it is not separate from appropriated funds. All Postal Service funds are appropriated, either in permanent legislation (e.g. postal revenues) or in annual appropriation laws. No accounting procedure is used to separate funds received under annual versus permanent legislation, since the annual appropriations are either to fund specific liabilities of the former Post Office Department (the transitional appropriations), to make up for amounts which would have been received as postage revenues except for statutory reduced rates (the revenue forgone appropriation), or to provide an undifferentiated general rate subsidy cushion during a transition period toward a self-sustaining Postal Service (the public service appropriation).

3. Does the President have authority to prevent this or any other Postal Service project?

We understand that the White House was asked by a Maryland State legislator to review the matter and referred the question to the Office of Management and Budget, which indicated that it is a matter committed to the discretion of the Postal Service.

4. Did the Postal Service notify any adjacent landowners? Who else in Potomac, besides the Chamber of Commerce, was notified of the project?

The Postal Service has been involved in acquiring and disposing of property for many years. We have well developed procedures for accomplishing these tasks which are carried out by employees that are professionals in the realty field.

Our regular community contact procedure was used in acquiring the Potomac, Maryland property. That procedure involved utilizing the normal clearinghouse for Montgomery County, i.e., the Maryland National Capital Park and Planning Commission/Montgomery County Planning Board. It is the responsibility of this clearinghouse to notify all of the interested agencies and community organizations. It is understood that the President of the McAuley Park Citizens Association was present at a public session held by the Planning Board on June 20, 1980.

We also published legal notices in the Montgomery Journal which is one of the official papers selected by government agencies to serve legal notice in Montgomery County and has the broadest coverage of Montgomery County.

The following list, in chronological order, specifically identifies those dates responsible parties or officials of Montgomery County and the National Capital Planning Commission were advised of the Postal Service's impending acquisition of the subject property wherein comments were solicited:

April 16, 1980.—State of Maryland, Department of State Planning, pursuant to the National Evironmental Policy Act Regulations (43 FR 55978), was advised of the Postal Service's intent to prepare an Environmental Assessment for the proposed project.

April 30, 1980.—Mr. Harry Lowe, President of the Potomac Chamber of Commerce was advised by letter of the USPS's Option to Purchase.

April 30, 1980.—Mr. Charles W. Gilchrist, County Executive of Montgomery County was advised by letter of the Option to Purchase.

April 30, 1980.—Mr. Royce Hanson, Chairman, Montgomery County Maryland National Capital Park and Planning Commission was advised by letter of the Option to Purchase.

May 2, 1980.—Mr. Reginald W. Griffith, Excecutive Director, National Capital Planning Commission, was advised by letter of the Option to Purchase subject property.

May 14, 1980.—Newspaper article appeared in The Montgomery Journal advising all interested agencies, groups and persons of USPS intent to prepare an Environmental Assessment regarding the proposed consolidation.

May 20, 1980.—Metropolitan Washington Council of Governments, in accordance with A-95 procedure, was advised by letter that the Potomac location had been selected as the specific site for development and requested comments regarding the proposed use.

May 22, 1980.—Regular public meeting of MNCPPC approved proposal and added parts for consideration.

May 23, 1980.—Newspaper article and photograph appeared in the Washington Star regarding the proposed acquisition.

May 29, 1980.—Received A-95 Metropolitan Clearinghouse memorandum from the Metropolitan Washington Council of Governments in response to USPS second A-95 letter identifying the Potomac site as the specific location.

May 29, 1980.—Newspaper article appeared in the Gaithersburg Gazette regarding the proposed acquisition.

June 4, 1980.—The National Capital Planning Commission acknowledged receipt of our letter of May 2, 1980, which advised them of the additional alternative site.

June 17, 1980.—Meeting was held at MNCPPC regarding realignment of roads, proposed in the future, that would have an effect on the Sisters of Mercy property.

June 17, 1980.—Maryland Historical Trust found the proposed acquisition to have no effect on historic properties or archaeological sites.

June 20, 1980.—the Montgomery County Planning Board Public Hearing regarding postal use of the property. Citizens groups participated.

July 24, 1980.—The Montgomery County Planning Board, at its regular scheduled public meeting, approved the Sisters of Mercy's Pre-Preliminary and Preliminary Plans regarding part of the Sisters of Mercy property that involved part of the land under option to the Postal Service.

August 6, 1980.—Submission of one (1) set mounted and fifteen (15) copies of the proposed site location to the National Capital Planning Commision for approval in accordance with local law for distribution to interested groups.

August 6, 1980.—Complimentary of the project, as submitted to NCPC, to John R. Matthews, Chief, Community Planning Division (West), Montgomery County National Capital Park and Planning Commission.

September 15, 1980.—State of Maryland, Department of State Planning, determined that the proposed project is not inconsistent with State plans, programs, and objectives as of this date.

October 2, 1980.—Site location approved by MNCPPC at its regular scheduled public meeting. Notice appeared in major papers.

October 2, 1980.—Site location approved by NCPC at its regular scheduled public meeting.

5. Have plans for the site been finalized? If so, will they be made available to Committee? If not, when will the plans be complete and is their input from local planning offices? Have any building permits been obtained and if so, for what?

No, the plans for the site have not been finalized. They are being prepared for submission to the National Capital Planning Commission (NCPC) and will be finalized in December, 1981 when the bid package will be put on the market. The NCPC is the local planning office for the Washington Metro Region regarding Federal projects and will make the plans available to concerned parties, including the Committee. Building permits are not required by the Postal Service, however, the Postal Service has agreed to comply fully with the objectives of established zoning requirements of local jurisdictions.

6. What are the hours and days of operation for the cocktail lounge now at the facility?

An indoor lounge and recreation room has been established by the Institute to provide for after hours rest and relaxation by students after their 8-hour day in classroom work. There are T.V., reading materials, and games available, as well as refreshments or soft drinks and alcoholic beverages for individuals so desiring. Individuals purchase beverages for their own personal use on the premises; purchase by minors and the public is not allowed. The hours of the lounge begin after the school day, at 5:00 p.m. on weekdays, and 1:00 p.m. on Saturdays and Sundays. Closing time is 10:00 p.m. on Monday—Thursday and is 1:00 a.m. on other days. The purchase of beverages is a personal transaction between the individual and the contract operator. The Postal Service has no participation in the financial operation of the beverage selling.

The Potomac location offers a self-contained operation wherein all of the needs of the students residing on the property must be provided by the Institute. It is axiomatic that a group of mature adults away from their home environment must

be provided the normal social activities of everyday living. The recreation lounge provides one of the important outlets for such social activity.

7. Who are the students and from where will they come? How many will be trained each year?

The training facility at Potomac is primarily for the training and development of managers and supervisors of the entire Postal Service from all of the fifty states, Guam, Puerto Rico, and the Virgin Islands. Training will include all functional categories of operations such as Postmaster, Industrial Engineer, Inspection, Mail Processing, Delivery Services, Employee Relations, Labor Relations, Transportation, etc. When fully occupied, there will be a maximum of 493 students and conference center attendees in residence, which will result in a total attendance of 8,000–9,000 personnel each year.

8. When the project was initiated, was any thought given to then President Carter's urban policy?

Yes, planning efforts to provide a permanent, comprehensive and economical training facility were conducted over a five-year period. To secure maximum coverage in our search for an alternate location within the Washington metropolitan area, an advertisement was placed in the Washington Post to ascertain the availability of land and/or buildings to satisfy space requirements. The advertisements were placed during the periods of October 22 through October 31, 1978, and February 4 through February 10, 1979.

The advertisements resulted in 211 offers of land or of land and existing buildings. Most of the sites were eliminated by the Site Evaluation Committee due to access, environment, size, topography, distance, or transportation. The remaining possible locations were inspected and carefully evaluated by the Site Evaluation Committee for further consideration. It was during our evaluation process that the advertisement offering the Sisters of Mercy property appeared in the Washington Post.

9. Does the Office of Management and Budget review the Postal Service? Has OMB addressed this particular project?

As noted in our response to Question Three, the Office of Management and Budget reviewed this matter and indicated that it is a matter committed to the discretion of the Postal Service.

10. Will the Postal Service's Board of Governors have to approve any additional expenditures for the training facility. What have they approved to date?

The Board of Governors have approved $28,164,000 to date. No additional funding is anticipated.

11. Have any contracts been advertised or let for landscaping, construction, architectural work, or work on the physical plant? If so, who has received the contracts and what is the scope of the work?

Presently, only minor demolition and repair work has been done to the existing buildings and minor renovations to do away with the religious articles. The contractor is Eslin Company, Inc., P.O. Box 186, College Park, Maryland 20740.

12. Can you provide the Committee with information on the financing structure of this project? Who is financing the project?

The activities of the United States Postal Service are financed from the following sources: (1) mail and services revenue, (2) reimbursement from Federal and non-Federal sources, (3) proceeds from borrowing, (4) interest from U.S. securities and other investments, and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year or appropriation limitation for payment of all expenses incurred, retirement of obligations, investment in capital assets, and investment in securities.

U.S. Postal Service Responses to Questions Submitted by Senator Sarbanes

1. Does the Postal Service intend for its use of their property to comply with appropriate local zoning rules?

Yes, on August 6, 1980, the Postal Service submitted a request for site location approval regarding the Potomac, Maryland site, to the National Capital Planning Commission and the Montgomery County National Capital Park and Planning Commission in accordance with local law. The two local governmental entities approved the site location on October 2, 1980. Approval by the two bodies, for a school at the Potomac location, indicates that the intended use conforms to present zoning and a zoning variance or special exception is not required. Further, although sovereignty of the Federal establishment is superior to the entity establishing zoning, the Postal Service has agreed to comply fully with the objectives of established zoning requirements of local jurisdictions.

2. Which employees or groups of employees will be utilizing these facilities? And how many people will be attending the Institute at any one time?

The training facility at Potomac is primarily for the training and development of managers and supervisors of the entire Postal Service from all of the fifty states, Guam, Puerto Rico, and the Virgin Islands. Training will include all functional categories of operations such as Postmaster, Industrial Engineer, Inspection, Mail Processing, Delivery Services, Employee Relations, Labor Relations, Transportation, etc. When fully occupied, there will be a maximum of 493 students and conference center attendees in residence, which will result in a total attendance of 8,000–9,000 personnel each year.

3. What efforts have been made to consult with local community leaders and seek their approval for this project? Will Institute facilities be available for use by responsible community groups?

The Postal Service has been involved in acquiring and disposing of property for many years. We have well developed procedures for accomplishing these tasks which are carried out by employees that are professionals in the realty field.

Our regular community contact procedure was used in acquiring the Potomac, Maryland property. That procedure involved utilizing the normal clearinghouse for Montgomery County, i.e., the Maryland National Capital Park and Planning Commission/Montgomery County Planning Board. It is the responsibility of this clearinghouse to notify all of the interested agencies and community organizations. It is understood that the President of the McAuley Park Citizens Association was present at a public session held by the Planning Board on June 20, 1980.

We also published legal notices in the Montgomery Journal which is one of the official papers selected by government agencies to serve legal notice in Montgomery County and has the broadest coverage of Montgomery County.

The following list, in chronological order, specifically identifies those dates responsible parties or officials of Montgomery County and the National Capital Planning Commission were advised of the Postal Service's impending acquisition of the subject property wherein comments were solicited:

April 16, 1980.—State of Maryland, Department of State Planning, pursuant to the National Environmental Policy Act Regulations (43 FR 55978), was advised of the Postal Service's intent to prepare an Environmental Assessment for the proposed project.

April 30, 1980.—Mr. Harry Lowe, President of the Potomac Chamber of Commerce was advised by letter of the USPS's Option to Purchase.

April 30, 1980.—Mr. Charles W. Gilchrist, County Executive of Montgomery County was advised by letter of the Option to Purchase.

April 30, 1980.—Mr. Royce Hanson, Chairman, Montgomery County Maryland National Capital Park and Planning Commission was advised by letter of the Option to Purchase.

May 2, 1980.—Mr. Reginald W. Griffith, Executive Director, National Capital Planning Commission, was advised by letter of the Option to Purchase subject property.

May 14, 1980.—Newspaper article appeared in The Montgomery Journal advising all interested agencies, groups and persons of USPS intent to prepare an Environmental Assessment regarding the proposed consolidation.

May 20, 1980.—Metropolitan Washington Council of Governments, in accordance with A-95 procedure, was advised by letter that the Potomac location had been selected as the specific site for development and requested comments regarding the proposed use.

May 22, 1980.—Regular public meeting of MNCPPC approved proposal and added parts for consideration.

May 23, 1980.—Newspaper article and photograph appeared in the Washington Star regarding the proposed acquisition.

May 29, 1980.—Received A-95 Metropolitan Clearinghouse memorandum from the Metropolitan Washington Council of Governments in response to USPS second A-95 letter identifying the Potomac site as the specific location.

May 29, 1980.—Newspaper article appeared in the Gaithersburg Gazette regarding the proposed acquisition.

June 4, 1980.—The National Capital Planning Commission acknowledged receipt of our letter of May 2, 1980, which advised them of the additional alternative site.

June 17, 1980.—Meeting was held at MNCPPC regarding realignment of roads, proposed in the future, that would have an effect on the Sisters of Mercy property.

June 17, 1980.—Maryland Historical Trust found the proposed acquisition to have no effect on historic properties or archaeological sites.

June 20, 1980.—The Montgomery County Planning Board Public Hearing regarding postal use of the property. Citizens groups participated.

July 24, 1980.—The Montgomery County Planning Board, at its regular scheduled public meeting, approved the Sisters of Mercy's Pre-Preliminary and Preliminary Plans regarding part of the Sisters of Mercy property that involved part of the land under option to the Postal Service.

August 6, 1980.—Submission of one (1) set mounted and fifteen (15) copies of the proposed site location to the National Capital Planning Commission for approval in accordance with local law for distribution to interested groups.

August 6, 1980.—Complimentary of the project, as submitted to NCPC, to John R. Matthews, Chief, Community Planning Division (West), Montgomery County National Capital Park and Planning Commission.

September 15, 1980.—State of Maryland, Department of State Planning, determined that the proposed project is not inconsistent with State plans, programs, and objectives as of this date.

October 2, 1980.—Site location approved by MNCPPC at its regular scheduled public meeting. Notice appeared in major papers.

October 2, 1980.—Site location approved by NCPC at its regular scheduled public meeting.

The Institute is now and will continue to be a responsible neighbor in the community. Institute facilities will be made available to responsible nonprofit community groups if, when, and where the U.S. Postal Service determines that they do not interfere with the prime mission of the Institute to train postal managers and the Postal Service is held free from liability by any non-postal user.

4. What physical renovation will be necessary to existing Institute structures and what will be the cost of this effort?

Rearrangement of rooms on the fourth floor of the main building to conform to the third floor layout, air conditioning the entire building, and removal of religious articles and changing the library to an audio-visual center. Anticipated cost is $3.4 million which is included in the total $28,164,000 improvements cost.

5. Why is a cocktail lounge included in the projected plans for the Institute? Under what restrictions and rules would this operate?

An indoor lounge and recreation room has been established by the Institute to provide for after hours rest and relaxation by students after their 8-hour day in classroom work. There are T.V., reading materials, and games available, as well as refreshments or soft drinks and alcoholic beverages for individuals so desiring. Individuals purchase beverages for their own personal use on the premises; purchase by minors and the public is not allowed. The hours of the lounge begin after the school day, at 5 p.m. on weekdays, and 1 p.m. on Saturdays and Sundays. Closing time is 10 p.m. on Monday-Thursday and is 1 a.m. on other days. The purchase of beverages is a personal transaction between the individual and the contract operator. The Postal Service has no participation in the financial operation of the beverage selling.

The Potomac location offers a self-contained operation wherein all of the needs of the students residing on the property must be provided by the Institute. It is axiomatic that a group of mature adults away from their home environment must be provided the normal social activities of everyday living. The recreation lounge provides one of the important outlets for such social activity.

6. How is this entire project to be financed? Has a cost-benefit analysis been performed to determine the appropriateness of current plans for the Institute?

The cash disbursements for the acquisition of the property and the planned improvements will be paid from the Postal Service Fund within the Treasury of the United States into which all postal revenues, appropriations, and other receipts are deposited and which is available to satisfy obligations of the Postal Service, including the acquisition of capital assets.

A cost benefit analysis was performed on August 26, 1980, and updated on September 26, 1980, to reflect the exact cost for the acquisition of the property.

Also on May 6, 1981, the General Accounting Office, in its report to Congresswoman Patricia Schroeder, concluded that the Postal Service made a sound decision in purchasing the Potomac site.

7. Are any appropriated funds to be used for this project? What accounting procedure is used to make this determination?

All Postal Service funds are appropriated, either in permanent legislation (e.g. postal revenues) or in annual appropriation laws. No accounting procedure is used to separate funds received under annual versus permanent legislation, since the annual appropriations are either to fund specific liabilities of the former Post Office Department (the transitional appropriations), to make up for amounts which would have been received as postage revenues except for statutory reduced rates (the revenue forgone appropriation), or to provide an undifferentiated general rate

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subsidy cushion during a transition period toward a self-sustaining Postal Service (the public service appropriation).

8. Why did the Postal Service choose this location as opposed to a more urban-oriented site? Does this comply with previous Executive Orders requiring new government facilities to be located in central business districts?

Planning efforts to provide a permanent, comprehensive and economical training facility were conducted over a five-year period. To secure maximum coverage in our search for an alternative location within the Washington metropolitan area, an advertisement was placed in the Washington Post to ascertain the availability of land and/or buildings to satisfy space requirements. The advertisements were placed during the periods of October 22 through October 31, 1978, and February 4 through February 10, 1979.

The advertisements resulted in 211 offers of land or of land and existing buildings. Most of the sites were eliminated by the Site Evaluation Committee due to access, environment, size, topography, distance, or transportation. The remaining possible locations were inspected and carefully evaluated by the Site Evaluation Committee for further consideration. It was during our evaluation process that the advertisement offering the Sisters of Mercy property appeared in the Washington Post.

The condition that produced favorable consideration of the Sisters of Mercy property was the fact that the property could be immediately converted to postal use with minimum modifications. It provides the operational and academic advantages of consolidating training activities in a facility designed for an academic environment. Consolidation at the Potomac location eliminates the split operation, escalating lease rents, and hotel/motel costs previously encountered at the Bethesda location.

THE POSTMASTER GENERAL,
Washington, D.C., April 16, 1981.

DEAR SENATOR: Enclosed for your information is a copy of a letter I mailed to every postal employee nationwide and my memorandum to the field managers regarding the scheduled negotiations for new collective bargaining agreements in the Postal Service.

I wanted you to be aware of the decision explained in my letter to postal employees.

Sincerely,

WILLIAM F. BOLGER.

Enclosures.

THE POSTMASTER GENERAL,
Washington, D.C., April 15, 1981.

Enclosed is a copy of an undated letter from me that is to be delivered to the home of every postal employee on April 17. I want you to read every word of it carefully and to familiarize yourself with its contents totally.

The part I want to stress to you, as a key manager in our system, comes at the end when I state that the current contracts are fully in effect until July 20 and that all their provisions *must* be observed. We are obliged at all times to follow the terms of existing agreements, but in the current, unprecedented situation, meeting our obligation fully is especially important.

I, therefore, want no manager or supervisor to deviate from the provisions of the current contracts *in any way.*

Because of the importance of this matter, I want you to be responsible for seeing that this instruction is conveyed to every member of the management team, including every supervisor. This process should take place on Friday, April 17.

In my letter to employees, I make clear how important I consider this matter to be—for everyone in the Postal Service. I know I can count on you to do your part during this time to make this process work.

WILLIAM F. BOLGER.

Enclosure.

THE POSTMASTER GENERAL,
Washington, D.C., April 1981.

DEAR POSTAL EMPLOYEE: I want to take this opportunity to speak to you candidly about an important matter regarding the scheduled negotiations for the new major collective bargaining agreements.

As you know, since the Postal Reorganization Act introduced collective bargaining to the Postal Service, management and labor have negotiated major contracts four

times. On the first three occasions (in 1971, 1973, and 1975), the four major unions bargained together and signed a single, common collective-bargaining agreement. In 1978, one of these unions split off from the others and negotiated a separate agreement. Negotiating two contracts in 1978--with two bargaining tables, two schedules, etc.—was complicated, but manageable.

Today, however, the bargaining structure has grown so complicated that it threatens to undermine successful contract negotiations before these negotiations have begun.

The Postal Service has been informed by the four major unions that they intend to bargain in an unprecedented manner.

Two of the unions have said they will engage in coordinated bargaining, but with no central negotiator. The other two have informed the Postal Service they also want to coordinate bargaining—but to arrive at separate agreements. Negotiating in this manner presents more than just practical, logistical problems; it handicaps everyone and threatens the process itself.

The problem of reaching goals we all want is further complicated by the increasing rivalry and dissension between the two sets of unions. Jurisdictional disputes between these unions have led to harsh words, frayed feelings, and active "raiding" campaigns by two of the unions to win over members of the other two unions. Such animosity also reduces the possibility of reaching sound agreements.

These developments concern me greatly, and I believe they should also concern everyone who wants to see collective bargaining continue to work in the Postal Service. Collective bargaining is mandated in the Postal Reorganization Act, and I endorse it completely and without reservation. Strong unions bargaining with a strong management is one of the keys to a strong Postal Service—and to good, uninterrupted service at reasonable prices for the public, which is the ultimate employer of us all.

After much study, I have concluded the proposed union bargaining structure is unworkable. Bargaining for multiple contracts in an atmosphere of inter-union bitterness is an almost sure way to defeat the process before it even begins, and administering the multiple contracts that might emerge would lead to chaos on the workroom floor, for management and employees alike. For these reasons, I have decided to take an action that will strengthen the collective-bargaining process—not just for this go-round, but for all future negotiations.

I have directed that a petition be filed with the National Labor Relations Board to start procedures leading to a determination of an appropriate bargaining unit or units within the Postal Service.

This action is fully consistent with the Postal Reorganization Act. In fact, it fulfills a requirement of the Act (Section 1202), which states, "The National Labor Relations Board shall decide in each case the unit appropriate for collective bargaining in the Postal Service."

As a result of this filing, the Postal Service will be unable to engage in collective bargaining for a new contract until an appropriate bargaining unit or units has been finally determined.

I realize this action may well be interpreted as drastic and may be misunderstood. The alternative would be to "make do" with the current proposed bargaining structure, hope for the best, and leave this chaotic structure (which could be expected to deteriorate even more in the future) for the "next time"—or the next Postmaster General. But, having invested almost 40 years in this organization and having seen it flourish under the Postal Reorganization Act, that is not a course I could take.

A major factor in my decision was that no employee will be adversely affected by this process—and that, to the contrary, everyone will benefit in the long run.

To ensure this is the case, I will propose to the postal unions that the current collective bargaining agreement be extended, should the NLRB process last beyond the contract expiration date of July 20. This extension would include the following conditions:

1. That it not interfere in any way with the full consideration of the NLRB to determine the appropriate bargaining unit or units.

2. That matters processed under the grievance and arbitration provisions of the current contract be limited to employee discipline and other matters appropriate to the circumstances.

3. That the extension include the payment of the appropriate cost-of-living adjustment to all covered employees in the fall.

4. That the extension include continuation of the existing "no-layoff" clauses.

A logical question is why is this action being taken now. Under the law, there are only certain times during the life of a collective-bargaining agreement when such a petition is permitted. Now is such a time. Just as important is my belief that we

cannot stand by and watch labor relations in the Postal Service deteriorate any further. Too much is at stake—for all of us collectively and each of us individually.

The matter now goes to the National Labor Relations Board, and we must wait for the Board to act. In the meantime, the current contracts remain very much in effect, and we must all continue to carry out our duties, living up to the terms of these agreements. This means, for example, that the May COLA will be paid to all covered employees, as scheduled, and that all other employee and management rights will be observed.

As other developments in this matter occur, I will keep you informed.

Sincerely,

WILLIAM F. BOLGER.

Senator STEVENS. In your statement you said:

We need a more rational pattern of labor-management relations in the Postal Service, and I have asked for a bargaining unit determination which will provide this.

Had you actually commenced negotiations with the unions' representatives and sent notices before this petition was filed?

Mr. BOLGER. Senator, we are prepared and are still preparing at the appropriate time to negotiate with the unions. We had been planning to start negotiations with the principal unions today. We had this alternative plan under consideration, too.

I really didn't make my decision that we were going to pursue the alternative until sometime last week. I saw the possibilities of reaching a successful contract negotiation by July 20 quickly diminish. The fracturing of the union structure led me to this conclusion. I got some advice from my law department and some outside lawyers. This alternative was available to me. I explored it fully and I decided to pursue that alternative. I thought it might interrupt things in the short run, but I think in the long run for the American public, the Postal Service and, of course, the employees, it is the right thing to do. That is why I took that action.

Senator STEVENS. Do you foresee this petition and your delay in the bargaining having any adverse impact on the stability of labor relations with the Postal Service?

Mr. BOLGER. I hope not. I think that we have taken the right steps. We have notified our employees and the unions of our intentions. The National Labor Relations Board has already scheduled a hearing on this matter for April 30. I hope this is brought to a quick conclusion, a proper conclusion. At that point in time we will be prepared to negotiate.

Senator STEVENS. I am pleased to hear that they are going to have a hearing that quickly. I intended to send them a request that they expedite review of your petition.

The goal of the petition, as I understand it, is to designate the bargaining units for postal employees. Is that correct?

Mr. BOLGER. At the time of the Postal Reorganization Act, the unions that had exclusive recognition under the old Executive orders were carried forward. In the Postal Reorganization Act, and if you read the hearings leading up to enactment of that legislation, it was made clear that at some appropriate time, the National Labor Relations Board should be petitioned or they should take action to designate the proper bargaining units within the Postal Service. That has never been done. We went into bargaining with these unions in 1971, 1973, 1975, and 1978. In 1971, 1973, and 1975 it was joint bargaining. In 1978, for the first time, there was a split

between the other unions and the National Rural Letter Carriers Association. We have a separate contract with them.

This year it was determined, and not by us, that there would not be joint bargaining. The American Postal Workers Union and the National Association of Letter Carriers agreed to go into joint bargaining. The Mail Handlers Division of LIUNA and the Rural Letter Carriers Association informed us that they would be going into coordinated bargaining. Coming out of their coordinated bargaining would be two contracts.

I think it is appropriate for the NLRB to exercise its responsibility under the law and determine what are the proper bargaining units for the Postal Service.

Senator STEVENS. When did you notify the postal unions of your decision to file a petition?

Mr. BOLGER. I believe it was either the afternoon of the 15th or on the 16th.

Senator STEVENS. When did you file the petition?

Mr. BOLGER. On the 17th, at 3:07 p.m.

Senator STEVENS. You were supposed to start the negotiations this morning, on the 22d?

Mr. BOLGER. We were scheduled to go into negotiations at what we call the two big tables starting today, the 22d.

Senator STEVENS. I gather that the purpose of your petition is to attempt to limit the number of entities with which you would have to negotiate?

Mr. BOLGER. The purpose of our petition is to find out the right bargaining units on a long range basis—to determine who should be representing postal employees and who should be engaged in collective bargaining with the Postal Service. Whether it would be one or more, I don't know. The Board will have to examine the collective bargaining relationship in the Postal Service. It is going to have to look at the family of jobs we have within the Postal Service and make that determination.

What we need to do in the Postal Service is to have contracts with our unions that are workable and that represent the interests of the employees, that represent the interests of the Postal Service, and above all that represent the interests of the American people.

Senator STEVENS. Do you believe the NLRB has the authority to determine that the unions must bargain together with you and consolidate the bargaining?

Mr. BOLGER. As I understand the law, and as my attorneys have explained it to me, it has the responsibility to set the unit or units.

Senator STEVENS. But can they determine that the units must bargain at the same time?

Mr. BOLGER. I am not that familiar with the law. Perhaps Lou Cox can shed some light on that.

Senator STEVENS. That was your procedure prior to 1978, as I understood your statement.

Mr. BOLGER. They bargained jointly—at the same time. Very frankly, Senator, even though they had some joint bargaining, they split off at craft tables. Also, there were some special outside items, like memoranda of understanding, that further complicated the ability to administer the labor contracts. That is present today: the inability to properly administer.

Senator STEVENS. What are you going to do if the NLRB does not adhere to our request that they expedite the review of your petition and the decision on it?

Mr. BOLGER. First of all, the contracts we have today are in full force and effect until midnight of July 20. I have proposed to the unions we would try to continue, until this is resolved, the provisions of the current contracts, including the cost-of-living adjustment, if one is needed in the fall, and including the current no-layoff provisions.

Senator STEVENS. Have you determined from a policy basis what you are going to do if the NLRB determines not to proceed on your petition?

Mr. BOLGER. Well, I am going to face this if I have to. There are several alternatives open to us. I would hope they would proceed on the petition. I think it is a proper petition. I really think that they are required to look at it under the Postal Reorganization Act.

Senator STEVENS. Thank you, Mr. Postmaster General. We do thank you for your Comprehensive Statement on Postal Operations. This is the hearing that was scheduled for the full committee to comply with title 39 of the United States Code, section 240 1(g). Again I want to state for the record that the chairman has asked me to conduct this hearing. He too is unable to be here this morning. He may come in later. But I think this is a most comprehensive statement. We are going to watch very closely the NLRB review of your petition. As I stated, the committee will send a letter urging the NLRB to expedite the review of that petition.

Mr. BOLGER. I appreciate it.

Senator STEVENS. Senator Mattingly?

Senator MATTINGLY. Mr. Chairman, I would like to pass to Senator Durenberger.

Senator STEVENS. Good morning, Senator Durenberger.

Senator DURENBERGER. Good morning, Mr. Chairman.

Bill, let me ask you about one of our favorite subjects, and I know there was a reference to it in your opening statement, because obviously automation in the Postal Service is a terribly important part of the future of the Service.

Back in March of this year I asked the Office of Management and Budget whether it was going to require the Postal Service to conduct a regulatory impact analysis as outlined in Executive Order 12291, regarding the nine-digit ZIP code. I have a copy of a letter sent to you by James C. Miller III, Administrator for Information and Regulatory Affairs of the present Office of Management and Budget. If it is appropriate, I would like to ask that this letter be made a part of the hearing's record on your annual report and commitments to the future.

Do you intend to comply with Executive Order 12291.

Mr. BOLGER. We believe, first of all, from a legal point of view, we are not under that Executive order. Our policy on Executive orders is that if they are not contrary to the Postal Reorganization Act, we do comply. In that respect we are moving forward.

I received a letter from Jim Miller. I have talked to him about it. I will reply with a proposed statement or final rule that we are going to publish in the Federal Register, which I believe complies with his request. That will be sent to him today. As a matter of

fact, I handed that to Jim Jellison this morning. I want to have one more reading from him before I send it over there.

As I said to you the other day on the phone, I will supply you with a copy. I have a copy of the letter that I sent to Jim Miller and also what I sent to him as attachments. That should be in your office late today.

Senator DURENBERGER. Regardless of whether or not the lawyers interpret the terms of 12291 to apply to the Postal Service, you intend to conform to the Executive order by publishing a rule in the Federal Register.

Mr. BOLGER. Right. Beyond that, Jim Miller's task force will get it today, which will be 30 days in advance of when we will publish it, so he can take a look at it and give us his comments, too.

Senator DURENBERGER. The Executive order presumes the proposal of a major rule with certain kinds of impacts on the economy. It contains a detailed list of requirements, a description of the potential benefits and costs, identification of those who received the benefits, and those likely to bear the costs, net benefits, and alternative approaches. Do you have that information available to you now? If not, when would you expect to have the information required under 12291?

Senator STEVENS. Senator, I hope we don't turn this into a ZIP+4 hearing. We sent out a hearing notice on Monday to continue discussion of the ZIP+4 proposal. I don't think the Postmaster General is prepared this morning to go into detail on this. I think your questions concerning postal operations are pertinent, but I don't think we ought to turn this into an oversight hearing on ZIP+4 when we have another one scheduled Monday. If he is prepared, we will cancel the one Monday.

Senator DURENBERGER. I intend to take only 5 minutes, Mr. Chairman. It was the time you allotted to me. I am covering part of the material in his opening statement. He is prepared because we have talked on the telephone about this. On Monday he promised that he would give me the materials he has this morning. I am just using the occasion to find out whether or not he intends to comply. I am not going to explore the pros and cons of the nine-digit ZIP code or anything else. I am only exploring the applicability to the Postal Service of a major Executive order regarding rulemaking. This is also in the jurisdiction of this committee.

Mr. BOLGER. The answer to your question is I think my response to Jim Miller includes all of that. I think we have addressed the terms of the Executive order. I think what we are sending over there will clear the air. We will furnish you a copy, and I would like to furnish a copy to the chairman, too.

[The letter to Mr. Bolger from Mr. Miller and Mr. Bolger's response follow:]

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., April 10, 1981.

Hon. WILLIAM F. BOLGER,
Postmaster General, U.S. Postal Service,
Washington, D.C.

DEAR MR. POSTMASTER GENERAL: As you know, serious questions have been raised about the ramifications of the Postal Service's proposed 9-digit ZIP code. In order to clear the air on this important issue, I ask that your organization perform a

Regulatory Impact Analysis of the proposal in accordance with Section 3 of Executive Order 12291.

I wish to emphasize that this request does not in any way imply our endorsement of the proposal or criticism of it. We fully support actions by the Postal Service to reduce costs and increase productivity. But I think a thorough analysis of the proposal would contribute toward achieving these objectives.

Sincerely yours,

JAMES C. MILLER III.

THE POSTMASTER GENERAL,
Washington, D.C., April 22, 1981.

Hon. JAMES C. MILLER III,
Administrator for Information and Regulatory Affairs,
Office of Management and Budget, Washington, D.C.

DEAR JIM: In response to your letter of April 10, 1981, enclosed is a proposed Federal Register document including a final Regulatory Impact Analysis concerning our plans for an extension of the ZIP Code. We would very much appreciate receiving any comments and advice you can provide. Allowing the 30 days provided in Executive Order 12291, we would expect to publish the document about May 25.

Our proposed rulemaking on this subject, including a preliminary Regulatory Impact Analysis, was published on November 28, 1980, at 45 Fed. Reg. 79104. While we believe neither Executive Order 12291 nor its predecessor have applied to the Postal Service, and while the changes to our regulations proposed in this document do not amount to a major regulatory action within the meaning of these orders, we chose to publish the analysis upon the request of a Member of Congress. Since use of the extended ZIP Code will be purely voluntary, we do not believe there can be any regulatory impact on anyone. Nevertheless, we have attempted to fit what we are proposing within the format of a Regulatory Impact Analysis. As indicated in the document, what little information was provided in the 22 comments received from the public in response to our notice has been taken into account in preparing the final document.

We appreciate the general support expressed in your letter for Postal Service efforts to reduce costs and increase productivity. We consider this program an essential part of those efforts, which will assist us in meeting the goals of the President's budget program for the Postal Service over the next several years. It just stands to reason that if we don't find new means like automation of letter processing, exploited to the fullest through an incentive-based ZIP+4 type of program, we cannot make substantial reductions in the costs of our highly labor-intensive operations.

Sincerely,

WILLIAM F. BOLGER.

Enclosure.

POSTAL SERVICE; 39 CFR Part 111

AMENDMENTS TO ZIP CODE PROVISIONS TO EXPLAIN THE ZIP+4 CODE

Agency: Postal Service.

Action: Final Rule.

Summary: These amendments to the ZIP Code regulations explain what the four-digit add-on to the ZIP Code means, show how to use it, and add conforming references to the ZIP+4 code in addressing provisions alongside existing references to the five-digit ZIP Code. These changes are in preparation for the distribution of the new four-digit add-on numbers for voluntary use in mailing addresses and return addresses. The ZIP+4 code retains the 5-digit ZIP Code and adds a hyphen and four more digits. While use of the ZIP+4 code is completely voluntary, the Postal Service hopes that mailers will adjust their addressing practices on a schedule appropriate to their needs to begin to use it over the next several years. Widespread use, particularly by business mailers, will enable mail processing to become more efficient and economical, thus helping to hold down the frequency and size of future rate increases. On April 21, 1981, the Postal Service filed with the Postal Rate Commission its proposal for new subclasses of First-Class Mail for volume mailings of letters and cards using the ZIP+4 code. The proposed rates for pieces in those subclasses would be a half cent lower than for regular First-Class Mail.

Effective date: [30 days from publication].

For further information contact: Mr. E. T. Dewey, (202) 245-5019.

Supplementary information: On November 28, 1980, the Postal Service published in the Federal Register (45 FR 79104) a notice and request for comments on the proposal to amend postal regulations as described in the Summary above. Comments were received from 22 organizations or individuals.

None of the commenters took issue with the proposed amendments to the ZIP Code regulations. These amendments are in the nature of explanatory, technical and conforming changes. Moreover, they impose no substantive requirements on mailers. Use of the ZIP+4 code is and will remain voluntary. For these reasons, the Postal Service has determined to adopt, with certain minor and editorial changes, the amendments to the ZIP Code regulations that were published on November 28, 1980.

While not dealing with the proposed amendments, the comments took the occasion to discuss the ZIP+4 program and plans generally, as well as the draft "Regulatory Analysis" which has been published for comment at the request of a Member of Congress. A final "Regulatory Impact Analysis" is published at the conclusion of this document. The various comments are discussed below.

Several of the comments were flawed by the incorrect impression that the ZIP+4 code is intended to be or would eventually become mandatory. The Postal Service has stressed and emphasizes again here that the use of the ZIP+4 code is totally voluntary; it will not be required now or in the future. Use of the ZIP+4 code will afford mailers an additional option which they can evaluate for themselves in light of their own individual circumstances. We think it is to their advantage to use it because it will help the Postal Service to hold down its costs and postage rates. The Postal Service has filed with the Postal Rate Commission a proposal for new subclasses of bulk First-Class Mail for letters and cards with a half-cent reduced rate for use of the 4-digit add-on on non-presorted and on 3- and 5-digit ZIP Code presorted bulk mailings. Once these new subclasses are approved, each individual mailer for whom it may be somewhat expensive to adapt address files to the ZIP+4 code will be able to evaluate for itself whether, how, and at what pace the adjustments needed to take advantage of the ZIP+4 code incentives should be made.

Only one commenter provided specific estimates of its direct and indirect costs to convert to use of the ZIP+4 code, and opposed it on that basis. The cost estimates given were higher than the Postal Service estimate for the average volume mailer, as presented in the draft "Regulatory Analysis". We do not find this commenter's statement a sufficient reason for not going ahead with the ZIP+4 program. This mailer can avoid incurring even a penny in additional costs simply by choosing not to use the ZIP+4 code. We have recognized that some business First-Class mailers will not use it. We also believe that as usage spreads, many mailers will benefit from the experience of those who use it first to find ways to adjust to use it themselves more economically than they believed at first.

In contrast to the comment just discussed, another commenter said that it "has already made a substantial investment to enable itself to prepare its mail in accordance with the expanded ZIP Code system", that it "is sure that other large mailers are similarly able to begin the use of the new system in the immediate future", and that it "urges the Postal Service to put the proposed nine-digit ZIP Code into effect on an optional basis at the earliest possible time."

A number of commenters stated that they were generally in favor of the plan to take the best advantage of our new automated mail processing system through the implementation of the ZIP+4 program, but would reserve final judgment on the matter until the question of financial incentives is settled. As stated above, the Postal Service has filed a request with the Postal Rate Commission for a recommended decision on two new subclasses of First-Class Mail for letters and cards bearing a ZIP+4 code that can be processed and read by machine, when presented to the Postal Service in minimum lots of 500 pieces. The rate for nonpresorted pieces and 3- and 5-digit ZIP Code presorted pieces will be a half cent less than the non-ZIP+4 rates. Mailers who believe that larger or smaller incentives are justified will have the opportunity to try to make that showing in the proceeding before the Commission.

Some commenters suggested that the Service should encourage greater use of the 5-digit ZIP Code and carrier-route presort programs and abandon the ZIP+4 program. We do not regard these as mutually exclusive alternatives. The existing presort programs are beneficial to mailers and the Postal Service. We will continue to stress them, and are proposing the same ZIP+4 reduced rate for 3- and 5-digit presort First-Class Mail as for non-presorted First-Class Mail. However, many mailers may be unable to participate in these existing programs because they lack the necessary volumes of mail addressed to 3-digit or 5-digit ZIP Codes. The ZIP+4 program will enable these mailers to contribute to greater efficiency and productiv-

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ity in the processing of their mail as the present programs have done for a smaller group of mailers.

Some comments dismissed or doubted our assurances that automation will save money for the Postal Service. These conclusions seemed based primarily on unexplained skepticism or on our asserted "track record". We believe that the record of the Postal Service in streamlining its operations with mechanization to do more with less, as outlined in the "Regulatory Analysis", provides an excellent foundation for confidence that automation will provide the means to further gains in productivity and greater cost savings.

Several comments objected to the ZIP+4 code on the ground that mailers would not be able to remember the longer numbers. We find it difficult to believe that very many mailers currently base their use of very many 5-digit ZIP Codes on memory. We are not suggesting that mailers learn more 4-digit add-ons than perhaps their own; others that may be needed can be added to address lists.

One commenter asked whether it would be important to use the ZIP+4 code on second- and fourth-class mail. The optical character reader/channel sorter (OCR/CS) and bar code automation is aimed initially at bulk First-Class business letter mail. Second- and fourth-class bulk mail (periodicals and parcels) cannot be processed by automated machinery at this time. The Postal Service encourages the use of ZIP+4 codes even on this mail, however, since the add-on numbers may reduce the need for memorized scheme knowledge by postal clerks, which would reduce the costs of training. We recognize that immediate adjustment of mailing practices without an immediate rate benefit may not be cost justifiable for many of these mailers, but hope that they will convert at their own pace as it makes sense over the next several years. Mailers who use one address list for all types of mail would be able to use the ZIP+4 codes on all mail.

Another commenter generally opposed the new automation on the mistaken notion that the Postal Service had not tested it in action. In fact, however, the Service did the very things the commenter says we should have done. From November 1979 until August 1980 we tested OCR/CS's loaned by five manufacturers; we processed over 30 million pieces of U.S. mail over the equipment. We also performed mail flow studies at 40 facilities in 1980; we developed the costs for labor, output, transportation, equipment, etc. As a result of the latter study, we determined that the return on investment would be a very favorable 22 percent, even if only five-digit ZIP Code mail were processed, and that the return on investment would rise to at least 48 percent if the ZIP+4 code were used.

One commenter supposed that the Postal Service had turned to the solution of adding four digits to the existing ZIP Code without looking at alternative coding systems, such as letters or a combination of letters and numbers. In our June 3, 1980 notice (45 FR 37572-37573), we pointed out that many ZIP Code configurations were considered. In brief, the Service chose to add numbers at the end of the existing ZIP Code numbers because: (1) numbers can be read by an OCR/CS more successfully and with fewer technical problems; (2) numbers are more adaptable to present letter sorting machine keying and training procedures; and (3) some alphabet characters are too similar to be distinguished easily by machine.

A commenter suggested that the bar code should be imprinted by the OCR/CS on the back instead of the front of the envelope for two reasons: (1) many business envelopes contain printing on the face of the envelope which would interfere with the bars; and (2) since window locations on business envelopes are not uniform, additional costs would be required to redesign envelopes to gain uniformity.

We do not believe either of these reasons is factually accurate as a description of present mailing practices. Business envelopes with printing that would interfere with placement of bar codes are contrary to longstanding postal regulations on addressing. Section 122.22 of the Domestic Mail Manual provides that "at least 3½ inches of clear space should be left, from top to bottom, at the right end of the address side of envelopes. . . ." It is in this space, below the address, that the OCR/CS would imprint the bar codes. See also, as to business reply letters, DMM 917.52b(3)(b), which reserves the bottom ⅝ inch for bar codes. Window envelopes with windows that wander away from the lower portion of the address side of the enveople also are contrary to longstanding postal regulations on window envelopes. See DMM 129.3b, 129.3g(1).

Moreover, adoption of this suggestion would require the Service to impose restrictions on printing on the back of envelopes so as to leave room for bar codes. It seems likely that the many mailers who use the back side of envelopes to print messages would object to such restrictions. In addition, this alternative would require more expensive OCR/CS equipment which would have to scan both sides of the envelope—the address side when it read the ZIP Code, the back side to make sure it does not imprint a bar code over a preexisting bar code.

Another commenter suggested that the Postal Service hold a conference to discuss details of the procedural aspects of the ZIP+4 plans. During 1981 several kinds of presentations are being made available. Each of the five postal regions is conducting National Forums that will include business sessions on the ZIP+4 program. Many local postal customer councils have already held meetings to discuss the ZIP+4 program, and more meetings are planned. On request, trade associations or individual companies may have it explained to them at group meetings. Finally, postmasters or their Customer Services Representatives are available to discuss it individually with any business customer.

One commenter suggested that the Postal Service should publish standards for the address line for OCR acceptance. In January 1981 the Postal Service published a brochure, entitled "Addressing for Optical Character Recognition" (Notice 165), which describes the requirements for preparing letter mail to be read by an OCR/CS. The publication is being reprinted and will be available from local post offices.

One commenter said that an important value of the ZIP+4 system is that it would make it possible to discontinue the Carrier Route Information System (CRIS) file and the related system of maintaining current carrier route data in mailers' files. The commenter said this would be possible because the Postal Service would be able to create a special file arranged in ZIP+4 sequence, with carrier route data shown for each ZIP+4 code. Since the Postal Service has decided that the existing presort programs will be continued, nothing of value would be gained now by integrating the CRIS file and ZIP+4 data.

A commenter said that the ZIP Code directory will contain the ZIP+4 code for only 80 to 90 percent of all addresses. Accordingly, he said the Service should permit a substantial percentage of uncoded pieces to be included in a bulk mailing with ZIP+4 codes and that the uncoded pieces should receive the discount. The commenter is mistaken. Every delivery address in the country has been assigned a 4-digit add-on, and all ZIP+4 codes are contained in the computerized directory. Since conversion of address records is possible, and since the Postal Service gains no processing advantages from handling uncoded mail, it would not be sensible to extend a reduced rate to uncoded mail.

One commenter warned that the new magnetic tape directories must be as close to 100 percent accurate as possible. Otherwise, the conversion of mailing lists would be more costly for mailers. The Postal Service is performing an extensive line-by-line verification of all data and so far has found the file to be at least 99 percent accurate.

One commenter asked why the Postal Service has stated it will not sort mail delivered to large mailers which have unique 5-digit ZIP Codes into separations based on the add-on numbers. The Postal Service does not perform sorting that is not necessary to complete delivery. For the Postal Service to provide sorting for internal offices of these large firms would require an extra handling step which would increase processing costs, and thereby reduce the savings initially gained from processing ZIP+4 code mail. As ZIP+4 implementation moves further along, the Postal Service could consider providing this service for a fee based on equipment availability. The Postal Service will assist such mailers by assigning 4-digit add-on codes which they can use to automate their own internal sorting of incoming mail. Bar code reader/sorters are readily available in the market place that can perform this automated sorting with significant cost savings in many cases.

The conforming changes to various sections of the Domestic Mail Manual follow:

DMM sections

122.821—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

122.822—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

122.823—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

137.28—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

141.242—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

143.421(a)—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

322.32(b)—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

361.3—Change "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

461.1(f)—Change "ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

462.31—Change the initial "the ZIP Code" to "either the ZIP+4 code or the five-diget ZIP Code". Amend the phrase following "*Exception:*" to read: "addresses on pieces bearing a simplified address in accordance with 122.41 do not need to include a ZIP Code".

467.223—Change "Lowest ZIP Code" to "Lowest five-digit ZIP Code".

493—Change "ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

561.1(f)—Change "ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

562.31—Change the initial "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code". Amend the phrase following "*Exception:*" to read: "addresses on pieces bearing a simplied address in accordance with 122.41 do not need to include a ZIP Code".

567.223—Change "Lowest ZIP Code" to "Lowest five-digit ZIP Code".

593—Change "ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code".

661.2—Change the initial "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code". Amend the phrase following "*Exception:*" to read "addresses on pieces bearing a simplified address in accordance with 122.41 do not need to include a ZIP Code".

661.331—Change "ZIP Code" to "either ZIP+4 code or five-digit ZIP Code".

667.132(b)—Change "Lowest ZIP Code" to "Lowest five-digit ZIP Code".

761.11—Change "a complete ZIP Code" to "either ZIP+4 code or five-digit ZIP Code".

767.222—Change "Lowest ZIP Code" to "Lowest five-digit ZIP Code".

767.6(a)—Change "ZIP Code of the" to "ZIP+4 code or five-digit ZIP Code of both the".

917.52a(5)—Change the initial "the ZIP Code" to "either the ZIP+4 code or the five-digit ZIP Code". Amend the phrase following "*Exception:*" to read: "addresses on pieces bearing a simplified address in accordance with 122.41 to not need to include a ZIP Code".

After careful consideration of all the comments, the Postal Service adopts the following changes to the ZIP Code System regulations in the Domestic Mail Manual which is incorporated by reference in the Federal Register, 39 CFR 111.1.

PART 122—ADDRESSES

Revise 122.6 to read as follows:

122.6 ZIP Code System

.61 Description. The ZIP Code system is a numbered coding system which facilitates efficient processing of mail. The most complete ZIP Code is a nine-digit number divided by a hyphen between the fifth and sixth digits. The Postal Service has adopted the term "ZIP+4" as its trademark for the 9-digit ZIP Code. The first three digits identify the delivery area of the sectional center facility (SCF) or major city post office serving the area in which the address is located. The next two digits (the fourth and fifth digits) identify the delivery area of the associated post office or branch or station of the major city post office serving the address. The sixth and seventh digits (the first two digits following the hyphen) identify an area known as a sector. The eighth and ninth digits identify a smaller area known as a segment. The final four digits of the ZIP+4 code identify specific geographic units such as: a side of a street between intersections; both sides of a street between intersections; individual buildings; a floor or group of floors in a large building; a firm within a building; a span of boxes on a rural route; or a group of post office boxes in which mail delivery will be made by a single postal employee.

.62 Purpose. The ZIP Code system enables the Postal Service to achieve greater accuracy, speed, and economy in the processing and delivery of mail.

.63 Assignment of ZIP Codes.

.631 General. Each segment-sized geographical area served by the Postal Service is assigned a unique ZIP Code representing the SCF or major city post office in whose delivery area the segment is located (three-digit ZIP Code area), the associate post office or branch or station of the major city post office serving the area (five-digit ZIP Code area), and the sector and segment number assigned to the area. Sufficient sector and segment numbers have been reserved in each five-digit ZIP Code area to allow for future growth.

.632 Assignment of ZIP Codes to Five-Digit ZIP Code Areas. Each delivery area is assigned a unique five-digit ZIP Code which consists of the first five digits of the ZIP Code of each address within the area. All post offices are assigned at least one such unique five-digit ZIP Code. Larger post offices are assigned two or more five-digit ZIP Codes if two or more handlings are required for the distribution of mail to delivery routes and box sections. These post offices are called multi five-digit ZIP

Code offices and are listed in Exhibit 122.633. Separate five-digit ZIP codes are assigned to each delivery unit at these offices. Bulk mailings of second- and third-class mail, presorted special fourth-class, and presorted First-Class Mail must be presorted by the mailer to specified ZIP Code and other destinations as prescribed in Chapters 360, 460, 560, 660, and 760.

.633 Assignment of ZIP Codes to Three-Digit ZIP Code Area. The first three digits of the ZIP Code identify the SCF serving the delivery area in which the address is located. Major city post offices are also assigned three-digit ZIP Codes which are unique to those post offices. These offices are called unique three-digit ZIP Code offices and are listed in Exhibit 122.634.

.634 Directory Assistance. Starting in the fall of 1981, the Postal Service will begin testing a directory assistance system to aid the public in obtaining appropriate ZIP Codes for addresses. Publication 65, the National ZIP Code and Post Office Directory, now lists the five-digit ZIP Codes assigned to each five-digit ZIP Code area.

.64 Placement of ZIP Code Digits.

.641 The ZIP Code should appear on the last line of both the address of destination and return address following the city and State. All mailers are encouraged to use the ZIP+4 code whenever possible. A space not less than 2/10 of an inch nor more than 6/10 of an inch should be left between the last letter of the State name and the first digit of the ZIP Code. A comma should not be inserted between the State name and the ZIP Code. *Example:*

Mr. Henry Brown
3484 Wyandotte Street
Baton Rouge, LA 70805-5868

Note: When the State name is abbreviated, the use of a period after the name is optional so long as a space precedes the ZIP Code.

.642 For mail on which space or other factors make the positioning shown in 122.641 impractical, the ZIP Code may be carried as the bottom line of the address, provided it is immediately beneath the city and State and no characters or digits precede or follow it. *Example:*

Mr. Harold Jones
4720 Jean Street
Baton Rouge, LA
70805-6945

.65 Post Office Assistance to Mailers. Mailers may ask their local postmasters for information about the ZIP Code system and for guidance in bringing their mailing practices into compliance with the ZIP Code provisions. Postmasters will, upon request by mailers, send post office representatives to help mailers make arrangements for ZIP Code mailing lists and for packaging and sacking bulk mailings by ZIP Code.

A transmittal letter making these changes in the pages of the Domestic Mail Manual will be published and will be transmitted to subscribers automatically. These changes will be published in the Federal Register as provided in 39 CFR 111.3. (39 U.S.C. 401, 403.)

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Appendix—Final Regulatory Impact Analysis.
Agency: Postal Service.
Contact: Warren P. Denise.
Phone: (202) 245-4058.

1. *Title.*—Plan for Automating Mail Processing With the Aid of ZIP+4 Code.

2. *Nature of action.*—The Postal Service is amending the regulations on the ZIP Code system (Domestic Mail Manual, 122.6). The unamended regulations provide that:

The ZIP Code is a five-digit coding system which identifies each post office and each delivery unit at large offices and associates each with the sectional center or major office through which mail is routed for delivery. The first three digits identify the sectional center or the major city. The last two digits identify the post office or other delivery unit.

The amended regulation addresses the following specific issue and subissues:

Issue: The ZIP Code is expanded by adding a hyphen and 4 new digits to the present five digits.

Subissues: (a) The term "Single-ZIP Coded Offices" is no longer applicable; (b) The National ZIP Code and Post Office Directory is supplemented by local and State

ZIP+4 directories, and further supplemented by a national toll-free call-in system for ZIP+4 information; national sets of ZIP+4 directories will be maintained in each management sectional center and in any other post office which is among the largest 200 post offices; private industry will be licensed to produce printed and microform ZIP+4 directories, which can be purchased by customers; (c) The ZIP+4 system is like the existing five-digit ZIP Code system, voluntary; (d) The notification to mailers of their ZIP+4 codes will begin by furnishing computer tapes to large mailers in June 1981; mass mailings to notify the occupant of each address of its new ZIP+4 code will begin in early 1982; (e) The existing computerized forwarding system will be converted to provide the ZIP+4 code to all who file change of address orders after installation of a micrographics retrieval capability; (f) Incentives will be offered to encourage large-scale mailers to use ZIP+4 codes; (g) The carrier route presort and other reduced rate programs will coexist with the ZIP+4 system; (h) Optical Character Reading (OCR) machinery and Bar Code Sorters (BCS's) will begin to be deployed in the fall of 1982. Full deployment of machinery is expected to be completed by the end of 1987.

3. *Purpose and need for action.*—This action will serve several purposes. The general purpose is to continue efforts by the Postal Service to improve productivity and utilize advances in technology for postal operations. More specifically, the ZIP+4 system will assist in the automation of much of the current letter mail processing operation, make manpower savings possible, improve service consistency, and help to stabilize postal rates.

The need for this proposal is based in the law. In the Postal Reorganization Act of 1970, Congress required the Postal Service "to maintain an efficient system of collection, sorting, and delivery of the mail nationwide", 39 U.S.C. 403(b)(1). In the past ten years, the Postal Service has met that requirement in part by steadily increasing the amount of letter size mail it handles mechanically. In 1970 the Service handled mechanically only 20 pieces of such mail out of every 100 pieces at the larger offices. Today it handles more than 70 out of every 100 letter size pieces at the 515 largest offices by machines. As a result of this mechanization and other cost-saving efforts, mailers have been saved literally billions of dollars in postage.

Current letter mail sorting machinery has contributed greatly to the productivity gains achieved by the Postal Service over the past ten years. Since fiscal year 1970, productivity measured by the number of pieces processed per work year has increased in the aggregate 34 percent. The Postal Service is now processing about 20 billion more pieces of mail per year with about 74,000 fewer employees.

Although existing letter mail sorting machines helped the Postal Service to make these great strides in efficient processing of the mail, this technology has now been fully deployed and offers very little additional hope for improvement in productivity.

Recognizing the limitations of existing machinery, the Postal Service has been working for a number of years to improve its mail processing equipment in order to continue productivity growth. This activity has centered around optical character reader/channel sorters (OCR/CS's), which have the capacity to read addresses and, by applying a bar code, direct mail to the mail carrier without address reading by employees. At the post office of the addressee, an inexpensive bar code sorter (BCS) would sort the bar coded mail directly to carrier routes, buildings, and firms, thereby completely avoiding expensive manual sorting.

In April 1976 the Postal Service established a special task force to review these possibilities and make firm recommendations for ways to improve productivity. The outcome of that review was an endorsement of the concept of deploying optical character and bar code reading equipment and a recommendation that the ZIP Code be extended by four additional digits.

4. *Public notice of the action.*—In September 1978 the Postmaster General publicly announced his intention to proceed to develop an expanded ZIP Code. Progress reports were reflected in the Annual Report of the Postmaster General for fiscal years 1978 and 1979, which is transmitted to the President and the Congress pursuant to 39 U.S.C. 2402, and in the annual Comprehensive Statement on Postal Operations submitted to Congress in January 1979 and in January 1980 in accordance with 39 U.S.C. 2401(g).

On June 3, 1980, the Postal Service published in the Federal Register (45 FR 37571) a description of its plan for the implementation of the ZIP+4 coding system. Twenty commenters replied to the notice. In addition to expressing general support or opposition, the commenters asked many questions on various aspects of the plan. The response of the Postal Service to each of the questions appeared in the Supplementary Information of the proposed rulemaking published November 28, 1980, (45 FR 79104) to which a draft regulatory analysis was appended. Twenty-two comments responded to the proposal. The response of the Postal Service to the commenters

appears in the Supplementary Information of the final rule published today, to which this amended regulatory analysis is attached.

On September 17, 1980, a hearing on the plan for the ZIP+4 program was held by the House Subcommittee on Government Information and Individual Rights. In response to a request by a member of the Subcommittee, the witness for the Postal Service agreed to prepare and submit to the Subcommittee a regulatory analysis.

5. *Selection of option objectivess.*—The expansion from a five-digit to a ZIP+4 code, using OCR/CS's and BCS's for mail sorting, is designed to improve productivity by taking advantage of advances in technology for postal operations. Other options to try to accomplish these objectives were also considered but found insufficient. The option that best carries out the objectives of the Service is reflected in Option B, which is, therefore, adopted. A summary analysis of the various options considered follows.

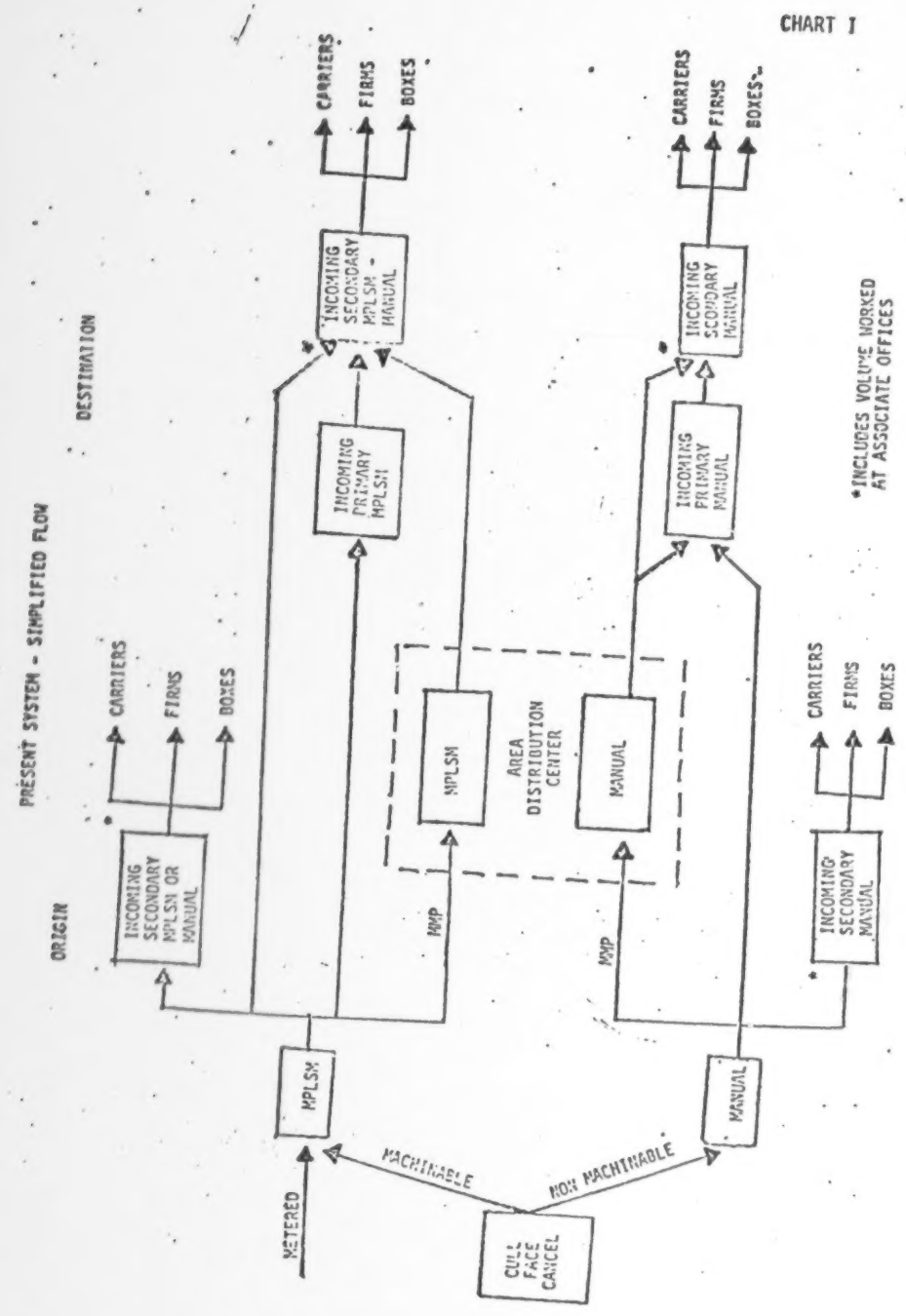
6. *Options.*—A description of each of the six options and several variations is presented below. An assessment of the effects of each option is also presented.

Option A: Continuation of the present five-digit system.

(a) *Description:* The present mail five-digit mail processing system employs multiposition letter sorting machines (MPLSM's) and manual distribution cases. Chart I, a simplified flow of the present five-digit processing system, depicts how mail flows through this equipment.

First, originating mail which is subject to machine processing ("machinable") is normally distributed on an MPLSM. Operators must key a combination of digits of the present ZIP Code. Based on the data entered, the MPLSM will then direct mail to the proper separation on the reverse side of the machine. Distribution will be made to other post offices or to a zone or associate office of the origin city. Mail which will be delivered in another city requires additional distribution at the city of delivery and may require intermediate sorting at an Area Distribution Center (ADC). Finally, the mail will be distributed to the carrier, box, or firm by an MPLSM operator or manual clerk.

CHART I



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From the above brief description of the present five-digit ZIP Code mail flow, it is apparent that distributing mail with MPLSM's requires numerous handlings. In addition, this sorting concept requires operators to memorize secondary schemes in order to distribute mail to the final delivery operation. These secondary operations have a lower productivity than normal MPLSM operations and a tendency for higher error rates. The productivity is even lower if processing is accomplished by manual distribution.

In the five-digit ZIP Code system, over seventy percent of the originating First-Class letter volume is distributed through MPLSM's in mechanized offices. Approximately forty percent of the volume distributed to carriers is processed by MPLSM. Except for a few isolated instances, the potential for productivity gains through deployment of additional MPLSM's is limited.

Since 1954, the Postal Service has been exploring the technical potential for moving from mechanized sorting with the MPLSMs to an automation system that could be used without need for a code that converts the address into a number. This research has sought to develop a four-line reader which would read the street address as well as city and state. Although research is continuing, results thus far suggest that the time when a practical, cost-effective system for reading the entire address will be available is still well into the future.

The OCR and BSC equipment which the Postal Service has decided to purchase can be used to process five-digit ZIP Code mail. We have estimated the return on investment from this use of the equipment at 22 percent. Limiting the equipment to five-digit ZIP Code mail, however, would not enable sorting to the carrier to be automated. As discussed under Option B, this equipment will be much more productive with the additional sorting information which the ZIP+4 option will provide.

(b) *Economic Effects:*

(1) Individuals: Ninety-seven percent of the mail now being received by the Postal Service bears a ZIP Code. The five-digit ZIP Code is widely accepted by individuals. Its use does not add a significant cost for individuals using the mail.

(2) Small companies and organizations: Some small companies, such as utilities, find it advantageous to presort their First-Class Mail. Depending upon certain factors such as the number of pieces, weight, etc., such mail must be sorted either to the five-digit ZIP Code or the 3-digit ZIP Code prefix in order to receive the reduced presort rate. Many small nonprofit organizations, such as churches, send out third-class mail at reduced bulk rates which are based on presortation of the mail. The economic effect of the five-digit ZIP Code system on such mailers is beneficial.

(3) Major mailers: Major mailers are able to take advantage of all presort discount programs, all of which involve use of the existing five-digit ZIP Code. The economic effect of the existing five-digit ZIP Code system on major mailers is beneficial.

(4) The postal system: Since fiscal year 1970, productivity measured by the number of pieces processed per work year has increased in the aggregate 34 percent. MPLSM's, which are used to sort mail by the existing ZIP Code, have helped the Postal Service to process 20 billion more pieces of mail per year with some 74 thousand fewer employees. Without productivity advances, the public would today be paying several billion dollars more per year for postage.

The following productivity rates are being achieved in the present system:

PRODUCTIVITY PIECES PER WORKHOUR

Outgoing and managed mail (MPLSM)	1,600–1,850
Incoming secondary (MPLSM)	1,300–1,450
Incoming secondary (Manual)	700–1,000

The distribution costs per thousand pieces under the present five-digit system are $25.

The operating costs necessary to support the present system unchanged include direct maintenance labor, recurring maintenance training, and equipment parts. These are outlined in Chart II.

In December 1980 the Postal Service Board of Governors authorized the expenditure of up to $316 million in capital and related costs for the procurement or automated mail processing equipment. This equipment would be available for processing five-digit ZIP Code mail if the ZIP+4 option were not adopted. Full deployment of such equipment for use with five-digit ZIP Code mail, which would not automate sorting at the destination office to carrier route, would provide an estimated 22 percent return on investment. As discussed under Option B, this is less than half the return with the ZIP+4.

(c) *Distribution of Effects:* No additional savings will be achieved and the outlook for further improvement in the productivity of the mail processing system will be bleak, unless the new automated equipment is used to process five-digit ZIP Code

mail. As inflation and other factors continue to drive up labor costs, the partial offset against the need for rate increases which increasing mechanization has provided in the past will disappear.

Option B: Introduction of Voluntary ZIP+4 Options.

(a) *Description.* Based on the recommendatons contained in the 1976 Task Force Report, a unique four-digit add-on code has been assigned for each block face which receives city delivery services. Codes have been assigned for certain business firms, portions of rural routes, and lock box sections. These four numbers, when combined with the existing five-digit ZIP Code to produce the ZIP+4 code, can be used for automated sorting of mail to the required delivery level. With this system, changes in the secondary schemes caused by route restructuring will require only a reprogramming of the sorting equipment. Under the five-digit ZIP Code system, route changes require a relearning process by MPLSM and manual distribution clerks. This is a time consuming and expensive requirement, and is subject to errors especially during the initial stages. Under a seven-digit system, which was considered but rejected, some mailers' ZIP Code would change every time the carrier route is adjusted. This would likely result in great confusion and mailer dissatisfaction.

PRESENT SYSTEM - BASELINE

K ($000)

	YEAR 0 1981	1 1982	2 1983	3 1984	4 1985	5 1986	6 1987	7 1988	8 1989	9 1990	10 1991	11 1992	12 1993	13 1994	14 1995	15 1996		TOTAL
MAINTENANCE LABOR	(52,250)	(55,909)	(59,966)	(64,412)	(69,192)	(74,329)	(79,841)	(85,764)	(92,129)	(98,964)	(106,306)	(114,195)	(122,669)	(131,771)	(141,548)	(152,050)		(1,501,295
MAINTENANCE TRAINING	(4,017)	(4,131)	(4,116)	(4,421)	(4,749)	(5,103)	(5,479)	(5,887)	(6,325)	(6,794)	(7,297)	(7,839)	(8,421)	(9,044)	(9,716)	(10,437)		(103,776)
MAINTENANCE PARTS	(2,790)	(3,320)	(3,619)	(3,981)	(4,379)	(4,617)	(5,259)	(5,828)	(6,411)	(7,052)	(7,758)	(8,533)	(9,387)	(10,325)	(11,358)	(12,494)		(107,111)
TOTAL COST	(59,057)	(63,360)	(67,701)	(72,814)	(78,320)	(84,049)	(90,579)	(97,479)	(104,865)	(112,810)	(121,361)	(130,567)	(140,477)	(151,140)	(162,622)	(174,981)		(1,712,182)

( ) = CASH OUTFLOW

NOTE: The above maintenance costs represent the cost of supporting the present equipment at the 211 sites which would receive OCR's

CHART II

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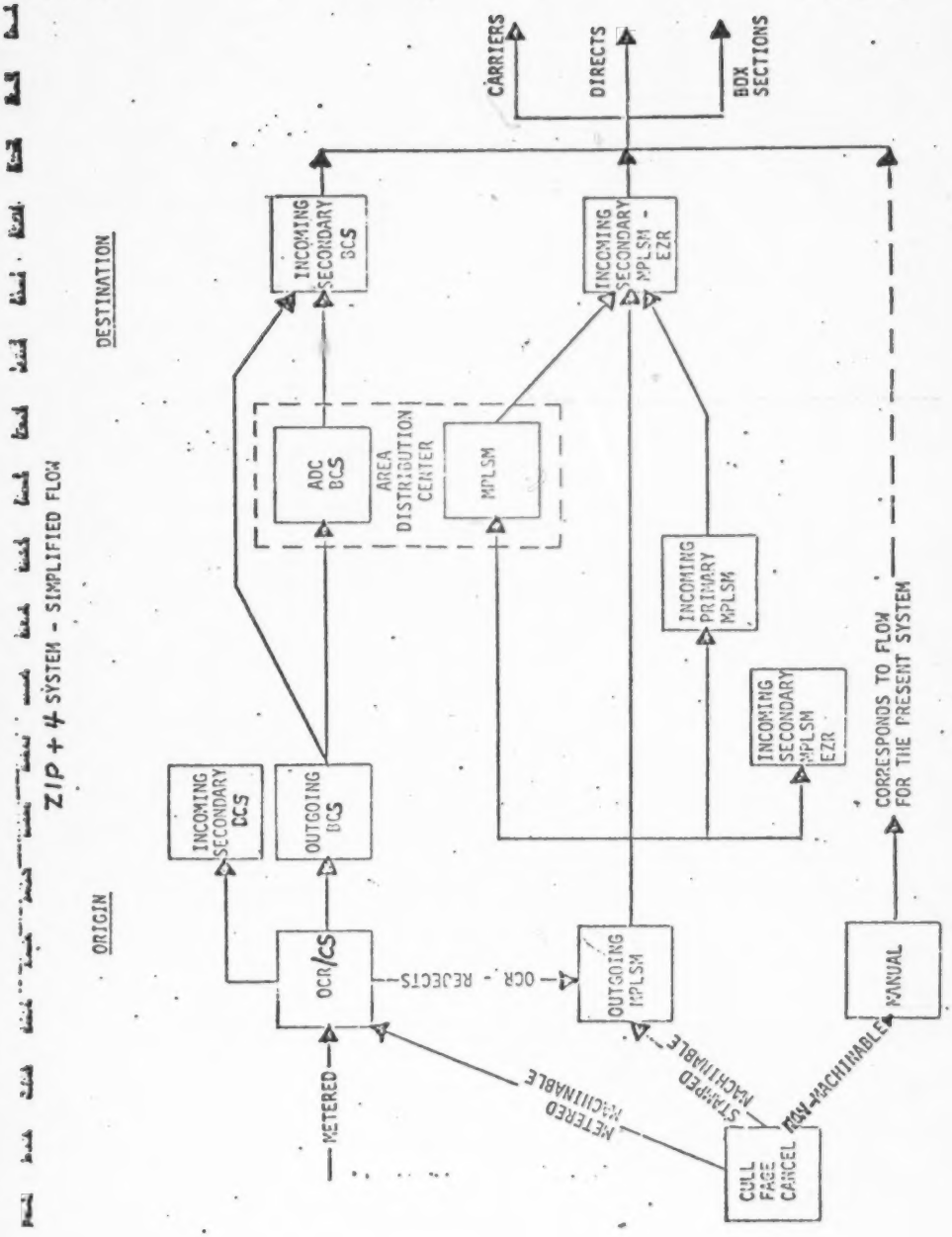
CHART III

ZIP + 4 SYSTEM - SIMPLIFIED FLOW



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We also considered variatations of the ZIP+4 system. For example, we considered completely revising the ZIP Code, using all letters, or a combination of letters and numbers. For reasons explained in our June 3, 1980 notice in the Federal Register (45 FR 37572-37573), and alluded to in our response to commenters in this document, the Postal Service rejected these variations in favor of the ZIP+4 system.

A simplified flow for the new mail processing operation is provided in Chart III. It should be noted that in both the five-digit and the new systems, the non-machinable mail will continue to be processed by manual distribution clerks. With the new system, trayed and bundled meter mail, business reply mail, and loose meter mail from the canceling operation will be processed through the OCR Channel Sorter (OCR/CS).

The OCR/CS will read the ZIP+4 code, print a bar code on the letter, verify that the bar code is the right one for the number read, and sort this mail into a limited number of channels or stackers. If the OCR/CS is unable to bar code the letter, then the letter will be sent to the MPLSM operation. There it will follow the traditional machine processing path. Mail to which a bar code has been applied will be taken from the channels and processed through the bar code sorter (BCS), which will read the bar code and sort to the correct destination. If a bar coded letter is to be delivered by another post office, then the outgoing routing scheme will be used. On the other hand, if mail is to be delivered from the originating post office, then it will be sorted to a carrier, firm, or box using a BCS incoming-secondary scheme.

If intermediate distribution is required at an Area Distribution Center (ADC), then mail will be dispatched from the origin office, sorted by a BCS at the ADC, and dispatched to the office of delivery for BCS sorting to a carrier, firm, or box. Mail may also be dispatched directly from the origin office to the office of delivery without ADC processing. In either case, mail will ordinarily be sorted by a BCS instead of a comparatively higher-cost MPLSM or manual operation.

Mail that has not been bar coded will be processed on the MPLSM. These machines will be modified with an Expanded ZIP Code Retrofit (EZR) kit to enable the operators to key the added four digits in place of using memorized routing schemes to do the secondary sort. The machine's computer will direct the mail piece to the bin for the appropriate carrier route, firm, or box.

(b) *Economic Effects:*

(1) Individuals: The Postal Service recognizes that people tend to resist the addition of new numbers to their lives. Numbers are impersonal and sometimes hard to remember. They may seem to subordinate the human element to the requirements of technology. However, use of the ZIP+4 code is voluntary. Furthermore, the expanded ZIP Code numbers are no longer than Social Security numbers and are shorter than long-distance phone numbers and many credit card numbers and bank numbers. The Postal Service hopes individuals will use the ZIP+4 code, as they now use the five-digit ZIP Code. The Postal Service sees little, if any, measurable economic impact on individuals who add four more digits to their existing five-digit ZIP Code.

(2) Small companies and organizations: The companies and organizations that presort according to the five-digit ZIP Code or the three-digit ZIP Code prefix will be able to choose for themselves whether to continue their present practices without change or penalty, or begin using the ZIP+4 code with the incentives to be offered. The principal economic effect would be the cost of updating mailing lists. The Postal Service will supply computer tapes to those who have the capability for computerized file conversion, and will also assist other mailers to adapt their lists. For example, the Postal Service will provide ZIP+4 one-time updating to large manual list owners. To qualify for this service, lists submitted must contain more than 500 addresses, be typed or printed on flat sheets of paper, conform to standardized address formats, and be arranged in 5-digit ZIP Code sequence. This service will be initially offered for one year.

We expect the conversion costs for these mailers will be approximately four cents to eight cents per address (the cost of keyboarding an address on a new address stencil or mailing plate). The return on investment for these mailers, and how quickly they participate in the ZIP+4 program, will depend on the frequency of mailings.

In those situations where the mailer uses an addressing system such as addressograph which requires a substantial investment for new stock, we expect that the mailer will choose to convert its file over a 3 or 4 year period as normal plate replacement occurs.

The Postal Service will not be able to undertake to update small manual lists (less than 500 names). Those who wish to convert these lists to the ZIP+4 system are encouraged to do so at their own pace. They can get the add-on numbers from their correspondents or through a toll-free call-in system. It should be emphasized, howev-

er, that the ZIP+4 system is voluntary, and that, while individuals and small organizations are encourged to use the ZIP+4 code on their mail, and will help hold down costs and postage rates by doing so, there is no current plan to extend the proposed half-cent rate incentive to mailings of less than 500 machine processable pieces.

There would, of course, be other conversion costs, such as the cost of revising envelopes to provide sufficient space for the extra digits, the cost of revising forms, etc. Costs such as these appear to be relatively minor and could be phased in gradually as existing stocks of envelopes and forms are used up and new supplies are ordered. The ZIP+4 system is designed to accommodate change. It does not have to be adopted by mailers all at once. They can use the five-digit ZIP Code until such time as they are ready to make a partial or complete switchover. As mailers begin to switch over to the ZIP+4 code, the Postal Service can schedule its OCR/CS and BCS machines to process mail in accordance with the ZIP+4 system as the volume of such mail warrants.

(3) Major mailers: Major mailers will continue to be able to take advantage of all existing presort discount programs, which depend upon use of the five-digit ZIP Code, while preparing their mailing lists to accommodate the ZIP+4 code. As postage rates begin to reflect the benefits of the code and increased automation, there will be a financial advantage for large mailers to use the new system.

Since the ZIP+4 program is voluntary, each mailer will perform its own cost-benefit assessment to determine the net cost or cost saving of the ZIP+4 on assessment operations

The cost of conversion of mailing lists, which could have been large, will be much reduced because the Postal Service has prepared a computerized (magnetic tape) ZIP+4 directory file which it will make available to mailers on either a national or state-by-state basis to enhance computerized list-conversion activities.

We estimate that the cost to update a computerized address file will range from one half cent to one cent per address, based on the current costs of matching mailer address lists against the Carrier Route Information System (CRIS) tapes, and estimates received from large list-processing companies.

This estimated cost is the price that these list-processing companies expect to charge for converting a mailer's computerized file. For cost estimation purposes, we assumed that each of the 80 million delivery addresses in the United States is on 100 different mailing lists. Using this assumption, the investment needed to convert the computer files of all the large mailers would range from $40 million to $80 million.

We recognized that these computerized mailers will incur costs other than the computer address matching costs associated with the conversion from the five-digit to the ZIP+4 code. These costs will vary from company to company depending on file structures, program sophistication, programming capabilities, etc. We estimated that these costs should be about equal to the actual computer conversion cost. This resulted in a total estimated investment cost of $80 million to $160 million for computerized mailers as a group.

However, we anticipate that only 50 percent of these computerized mailers will actually convert their files during the first year, increasing to 90 percent in 1986.

Using the estimate for total conversion costs of two cents per address, and a rate incentive of one half-cent per mailing, the mailer would recoup its investment in 12 months with only 4 mailings per year per address.

Even if the cost were considerably larger, monthly mailers could still recover full cost in a year. We have taken as an example a smaller-size computerized mailer with 200,000 address records which mails a monthly bill or statement to each address. If the mailer contracts with a service bureau, the charge might be as high as $10 per thousand, or $2,000. Add to that other miscellaneous internal costs of conversion, such as programming to modify record layout formats and other addressing software. This should be about the same as the service bureau charge on the average, but might range from $2,000 to $10,000 for this smaller mailer. So the total cost of conversion could be between $4,000 and $12,000.

If such a mailer sends a monthly statement to each of the 200,000 names in its file, then the annual number of First-Class pieces of mail is 2.4 million. Applying the half-cent incentive to each piece results in a total reduced postage of $12,000. That figure, less the conversion costs which range between $4,000 and $12,000, would bring this mailer to a break-even point in as little as four months, and probably no more than a year. It is important to note, however, that this is only one example. The actual time needed to break even depends on the complexity of each mailer's files, the programming needed, and the frequency of mailings.

It should also be noted that the savings that will accrue to the Postal Service as a result of increased productivity would contribute to fewer and smaller rate in-

creases. These savings, as the program gets fully underway, will further increase the net savings to all mailers from the ZIP+4 program.

(4) The postal system. The economic benefits to the public through cost savings within the postal system in the first year of full implementation are estimated to be $597 million. The increases in productivity that make these savings possible are reflected in the following table:

PRODUCTIVITY PIECES PER WORKHOUR

Optical Character Reader	10,000
Bar Code Reader	4,000
Incoming Secondary—EZR	1,300–1,450

When the estimated processing rates are reached, the distribution costs per thousand pieces change from $25 under the five-digit system to only $17 under the automated system.

In addition to the savings that have been identified, there are other savings that will accrue. Expected benefits of the ZIP+4 program and automated system include a reduction in initial scheme training costs (memorization of addresses on carrier routes) for incoming secondary sortations; a reduction in recurring costs associated with scheme changes (caused by carrier route adjustments); an increase in the amount of "direct mail broken out for carriers; an improvement in service consistency, through an overall reduction in system error rate; and a reduction in costs and improved accuracy associated with weighing mail for the Management Operating Data System (MODS) by use of machine data recording functions. No allowance for these unquantified savings has been made in any of our rate of return estimates.

The incremental cost to the Postal Service to implement the ZIP+4 program will be very small, considering that most capital and related costs would be justified even if limited to automating five-digit ZIP Code mail. We have estimated miscellaneous costs of $24 million to notify customers of their ZIP Code, to plan and establish specifications for a telephone inquiry system that would provide answers to questions about another person's ZIP Code, to pay for public service advertising, plus salaries, travel, etc. of employees assigned to the ZIP+4 program. This amount does not include the cost of providing a telephone inquiry system (since the Postal Service has not yet awarded a contract) or the cost to the Postal Service for other help that the Service may offer to mailers to encourage use of the expanded ZIP Code. These costs will not approach the order of magnitude of the estimated savings once the program is implemented.

For associated equipment, the Postal Service estimates the maximum total capital and related costs through 1986, at which time equipment purchases will be complete, at $887 million. The Board of Governors of the Postal Service approved the first phase of these purchases in December 1980 when $316 million in new automated equipment was authorized to be procured. This approval was based on the return on investment which can be obtained using five-digit ZIP Code mail, even if no ZIP+4 mail was received.

(c) *Distribution of Effects:* Mailers will benefit from the postage savings which improved productivity will make possible. Initial investment costs to update mailing lists will be mitigated by help provided by the Postal Service. No one will be required to make the investment for updating mailing lists, so each mailer can evaluate the cost and potential return for itself. The expected savings from just one year of full operation of the automated processing system, which will be passed on through postage rates, far exceed our most liberal estimate of the total cost for adapting the nation's mailing lists to the ZIP+4.

Option C: Mandatory use of ZIP+4 codes.

(a) *Description:* This would be the same as in Option B, except that use of the ZIP+4 code in addresses would be a requirement.

(b) *Economic Effects:*

(1) Individuals: This would be the same as in Option B, assuming that individuals will participate voluntarily.

(2) Small companies and organizations: Requiring all small companies and organizations to use the ZIP+4 code might affect many of these mailers adversely unless a fairly long period preceded the implementation date. The Postal Service believes it will be fairer to permit such mailers to continue to use the five-digit ZIP Code and presort programs while they adjust their mailing practices and procedures to accommodate the ZIP+4 system. For some mailers the adverse economic impacts of using ZIP+4 codes may override the advantages. Although the Postal Service will be striving to avoid any such results by offering incentives, the Postal Service rejected this option in favor of Option B.

(3) Major mailers: There would appear to be fewer adverse economic impacts on major mailers than on small mailers, since we assume that more major mailers will find it to be in their economic interest to use ZIP+4 codes. The principal economic disadvantage of making the ZIP+4 code mandatory would flow from the length of the implementation period. So long as the deadline for implementation is not so short as to cause added expense from obsolete, unusable five-digit ZIP Code envelopes and forms, or from more expensive, expedited contracts to convert lists of names, we believe the economic effects on major mailers of mandatory use of the ZIP+4 code would be little different from a voluntary ZIP+4 program.

(4) The postal system: In one sense the effect would be favorable, since there would be, from the effective date of the program, an assured sufficient volume of ZIP+4 mail to recover maximum savings in terms of costs and postage rates. Manpower savings might be possible at an earlier time, so that the cost of the OCR/CS's and BCS's could also be recovered through such savings at an earlier time. Nevertheless, the Postal Service rejected this option on the ground that it is unnecessary and fails to reflect the cooperative relationship required between the postal system and its customers. It represents too rigid a response to the problem of controlling the growth of processing costs. It fails to take into account the varying circumstances of mailers of all sizes, some of which might find a mandatory ZIP+4 code requirement to be a hardship.

(c) *Distribution of Effects:* Conditions would be the same as for Option B overall, except that hardships might be created for some mailers. Public resistance might be expected to be greater and might undermine the program.

Option D: The Postal Service Plan without incentives.

(a) *Description:* This would be the same as in Option B, except that the Postal Service would not offer up-front incentives for mailers to convert mailing lists and use the ZIP+4 code.

(b) *Economic Effects:*

(1) Individuals: This would be the same as in Option B.

(2) Small companies and organizations: Some mailers who might like to change their mailing lists in order to promote greater productivity and assist to hold down postage rates might find it more difficult to make the initial required investment without Postal Service help.

(3) Major mailers: It would seem that participation by major mailers might be depressed even more, since their conversion costs may be higher and they would have qualified more easily for incentives such as free tape distribution.

(4) The postal system: The difficulty of justifying the expense of incentives during a transition period, when the full cost savings expected from the fully implemented system are not yet being realized, would be avoided. The chances of obtaining the level of usage of the ZIP+4 code necessary to achieve the full savings potential would be reduced, however.

(c) *Distribution of Effects:* It would appear that the full potential of the OCR/CS and BCS equipment might not be achieved as quickly, as some mailers would find it more difficult to adapt their mailing lists to use the ZIP+4 codes.

Option E: Deploy OCR/CS and BCR equipment for use with the five-digit ZIP Code.

(a) *Description:* Those parts of the primary mail processing operations which require operators of MPLSM's to key the first three or last two digits of the five-digit ZIP Code could be automated for a large portion of the mail through use of OCR/CS and BCS equipment. Without the four additional digits in the ZIP Code, sorting to the carrier at the destination office would continue to be done by employees through scheme memorization.

(b) *Economic Effects:*

(1) Individuals, small companies and organizations, and major mailers: No changes would be required and none would be perceived. A reduced return on investment in the equipment would produce much more modest postal savings.

(2) The postal system: A somewhat smaller number of BCS's would be needed to process five-digit ZIP Code mail. The return on investment is estimated to be approximately 22 percent, enough to justify the purchase. This would be less than half the expected return of 48 percent associated with the ZIP+4 code. However, in terms of savings, the Postal Service and the mailing public would have to forego approximately $380 million in savings in 1987. Also, potential future savings in training and carrier operations, which are not presently quantifiable, would be greatly reduced.

(c) *Distribution of Effects:* It would be wasteful to stop short of obtaining maximum efficiency and maximum benefit from the OCR/CS and BCS equipment deployed, as would be the case under Option E. While use of the ZIP+4 code under Option B counts on mailers to contribute an investment of their own in order to

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update their address files, the Postal Service will participate in that effort directly and through incentives. The joint investment will quickly pay for itself as the automated processing system comes into full use.

Option F: Mailers encouraged to print bar codes on outgoing mail.

(a) *Description:* At present some major mailers affix a bar code to their pre-addressed return envelopes. The Postal Service has BCS's capable of reading this bar code and sorting it right to the firm.

The bar codes that are supplied to mailers are based on the five-digit ZIP Code. This system is in operation in 33 cities and processes 600 million pieces of mail annually.

It would be possible for some large mailers to modify their computerized addressing operations to apply bar codes themselves to outgoing mail based on the ZIP+4 code. Appropriate incentives could be offered to encourage these bar-coded mailings. Mail bar-coded by mailers in accordance with the ZIP+4 code would be processed in the same way as in Option B.

(b) *Economic Effects:*

(1) Individuals: There would be no effect at all on individuals.

(2) Small companies and organizations: There would be little, if any, effect on these mailers, since they are unlikely to have the necessary volume to be able to afford the sophisticated equipment to put bar codes on their mail.

(3) Major mailers: Since many major mailers with large enough volumes to benefit from rate incentives for presorting already do so, Option F apparently would have to appeal to a category of mailings with insufficient volume for the carrier route presort program but still large enough for a computerized bar coding operation. The volume of mail being bar coded by firms would be relatively small under this option.

(4) The postal system: This small volume of mail containing a bar code in the address block area would not be sufficient to justify the extra effort required to process it separately. In any event, it would still require a bar code to be imprinted on the bottom of the envelope for subsequent sorts.

(c) *Distribution of Effects:* This option alone is a much more limited one than Option B and does not offer the same potential for major productivity gains. It would still require the development and introduction of the ZIP+4 code. Once Option B is in effect and incentives to use the ZIP+4 code have been established, this option would be available as a possible addition to the program if sufficient interest were expressed.

Mr. BOLGER. There is one thing we must remember about this rulemaking we are talking about and the economic impact of this whole program, the ZIP+4. The program is strictly a voluntary thing, so the decision is really with the person who wants to or does not want to use it.

Senator DURENBERGER. In accordance with the chairman's request, I am going to terminate at this point. However, you keep bringing up the voluntary business. All I would like to say is that the five digit is voluntary, also. Ninety-seven percent of the people in the country use it. In your followup on Mr. Miller's request, I trust that is not a qualifier for your failure to respond to Nos. 1, 2, 3, 4, and 5, as set out in the requirements for information.

Mr. BOLGER. There will be no failure to comply.

Senator DURENBERGER. Thank you very much.

Senator STEVENS. I am glad that we will both have copies of that response to Mr. Miller, Mr. Postmaster General, and Senator. I think that will probably be the basis for the Monday hearing, as I understand it, or at least a substantial jumping off point.

Anything further, Senator Durenberger?

Senator DURENBERGER. No.

Senator STEVENS. Senator Mattingly?

Senator MATTINGLY. No.

Senator STEVENS. Could you tell us about these electric vehicles that you are testing now? We have a provincial interest in those, as to how they will perform in cold weather. Are you testing them in cold weather as well as in the warmer parts of the country?

Mr. BOLGER. We have tested them in cold weather in northern Virginia and in Massachusetts where it is colder and there is snow. As a matter of fact, they are not too satisfactory in cold weather and they are very unsatisfactory in snow, from what I have seen in the reports. Basically, as you know, electric vehicles as we know them today are going to have to be pretty well confined to the Sun Belt.

Senator STEVENS. Do you have any plans to acquire the electric vehicles now? Is the testing completed? What is the status?

Mr. BOLGER. We have about 380 electric vehicles which we use every day in delivery service. We have 750 additional vehicles we are either putting on or have an option to buy. We are still in a testing mode, although they are being used in the day-to-day process of delivering and collecting mail.

I still consider the electric vehicle very much experimental. We have not had any great breakthrough that would cause me to go out and purchase great quantities of them.

Senator STEVENS. Have you done an analysis of what the cost of our stamps would be today if it were not for the technology and mechanisms you were able to introduce to the Postal Service? Using the old Post Office Department approach, could you tell us what your budget today would be and what the cost of the first-class postal stamp would be today?

Mr. BOLGER. I would think we would probably be looking at 800,000-plus employees in the Postal Service. I think we would be looking at an additional cost of about $3 billion a year—at least $3 billion per year—assuming the current labor rates and working under the old system. You are looking at another 5 or 6 cents on the postal rate.

I don't have any details on that here this morning. I could certainly supply that kind of projection for the record.

Senator STEVENS. It would be interesting to have that kind of projection. I have the impression many people don't understand the way the Postal Service has increased its automation and attempted to develop new technology to meet the increasing workload of the Postal Service.

[The information referred to follows:]

U.S. POSTAL SERVICE VERSUS POST OFFICE DEPARTMENT—COMPARISON OF COSTS; FISCAL YEAR 1980

[In millions of dollars]

	U.S. Postal Service	Post Office Department	Savings under USPS
Total revenues	19,253	24,769	−5,516
Personnel and related costs	16,541	21,538	−4,997
Other costs	3,018	3,231	−213
Total expenses	19,559	24,769	−5,210

In fiscal year 1971, 23.4 percent of all operating expenses were financed from appropriations. Applying this percentage to the estimated costs for fiscal year 1980, using the old Post Office Department approach, would require $5,798,000,000 from the taxpayer, an additional $4,188,000,000. The cost of a first-class stamp would have been 18 cents in lieu of the 15 cent stamp that was in effect for fiscal year 1980.

However, if 8.2 percent—the percent of appropriations to operating expenses as experienced in fiscal year 1980—is used, the amount required from the taxpayer would be about $2,039,000,000. The cost of a first-class stamp in fiscal year 1980 would have required a 22 cent stamp to provide sufficient revenues to break even.

The number of paid employees under the Post Office Department to move the 106.3 billion pieces of mail received in fiscal year 1980 would have required an estimated 884,000 employees. This is an increase of 205,000 over the paid employment experienced in fiscal year 1980.

Mr. BOLGER. When you look at it and look at the chart I submitted this morning—20 billion more pieces of mail going to about 12 billion more addresses with 74,000 less employees—that tells the story of what has happened in the last 10 years. The real change is our ability to change our facilities, make capital investments and acquire mechanization. Our approach to customers is to give them incentives for volume mailings. I think this has helped. If we hadn't had the authority under the Postal Reorganization Act to do these things, the Postal Service probably wouldn't have the volume of mail it has today. I think the people would have found other alternatives to the Postal Service because we would not have been able to keep our rates down.

Senator STEVENS. There are some new competitive impacts, though, in the Postal Service. What impact have these competitive means for delivery of business mail had on the Postal Service?

Mr. BOLGER. Well, the United Parcel Service has far outdistanced us in the last 20 or so years. In the parcel post, we handle a couple of hundred million pieces of mail. They handle 1.4 billion parcels, I think. It was only in the last year, after 13 years of going downhill, that we experienced a gain of 2.5 percent. This is because our prices came in line. We have improved our service; not dramatically, but our service is steady. The average person who goes to the Postal Service knows how long it would take. Our rates are competitive where they haven't been for some time.

You know, we talk about electronic technology in the Postal Service—having the need to use it. If we didn't have the electronic technology already taking a sizable portion of the communications market away from traditional means, the Postal Service would probably be faced today with handling about 125 billion pieces of mail. We are growing and they are growing. But this new technology, the use of electronic funds transfer and everything else, has already had an impact on the Postal Service. But we don't notice it because we are still in the growth structure.

Senator STEVENS. Where are we on the electronic mail concept now?

Mr. BOLGER. Internationally we are moving ahead. We have service now to Canada and London. I hope that this summer we will have the Netherlands and a couple of other countries tied in.

Unfortunately, we are still going through a Canadian switch. The Federal Communications Commission hasn't yet approved a tariff for a U.S. international carrier, so we are still going through a switch in Canada. Next July we will be starting out ECOM Service. We will have 25 post offices ready to use this system by next January.

Beyond that, we are still preparing for the possibility of having a domestic electronic mail system that will hit about 85 different points around this country. That is in a lab testing stage out in Rockville, Md.

Senator STEVENS. Have you had any further reports on the Japanese experiment in electronic mail? What has been the result of their experiment?

Mr. BOLGER. Tama Newtown is where they wired a small area, but they have dismantled that now, I think. I think we are probably doing more in the private sector, through cable TV, like in Ohio, but it is going on in the Postal Service, too.

I don't know of any further Japanese developments beyond the Tama Newtown experiment. We sent people over to see it. The Japanese knew the technology was workable, but it was also very expensive.

Senator STEVENS. I am informed I made a mistake, Senator Durenberger. The nine-digit hearing is on the 29th. The one on Monday is the Civil Service hearing. I say that in case I misled you.

Are you involved in the Ohio experiment any longer?

Mr. BOLGER. No, we are not.

Senator STEVENS. Didn't you have something to do with them once in terms of an experiment with that television direct hookup?

Mr. BOLGER. Not to my knowledge, Senator. It might have been before my time. The only real advanced development program we had going in Ohio was in Cincinnati, where we set up a postal operation that had to do with automation, mechanization and electronics. I could be mistaken.

Mr. COX. I don't know of anything other than what you are talking about.

Senator STEVENS. Let me shift gears. With regard to your delivery vehicles, what is your policy with regard to replacement of vehicles and aging of them?

Mr. BOLGER. For our normal delivery vehicles, we are on an 8-year replacement cycle. We were on a 6-year replacement cycle. I advanced that to 8 years. We found out we could do that.

The larger vehicles have a shorter period of time.

Senator STEVENS. What is the standard vehicle in use now?

Mr. BOLGER. It is still a jeep type of vehicle. Last year we went back to using some passenger cars to see if they would get the job done. Our evaluation says they will under certain conditions. But of the vehicles that we are in the process of procuring right now—some 17,000 vehicles—about 13,000 have right-hand drive, gas combustible-type engines, and four cylinders. They would probably be more like the jeep kind of vehicle. Beyond that, we are also procuring 4,000 diesels.

Senator STEVENS. Are you working with the Department of Defense on their review of the new five-quarter ton chassis for a multiple purpose chassis to deal with Government needs?

Mr. BOLGER. To my knowledge, no, we are not. We could be, and I may not be that familiar with it myself.

Senator STEVENS. If not, I would urge you to do so. It seems we will be able to standardize a 1¼-ton chassis that will fit all types of Government needs, from a jeep to a passenger carrier to a small truck. The whole array of the Government's needs in the defense area would be met by a multiple-purpose vehicle with a chassis being the same and the balance of the vehicle being designed to meet particular needs. I should think we might be able to utilize

that same chassis and get involved in a rather massive buy from the automobile manufacturers to deal with not only defense needs but the whole array of Government needs.

Mr. BOLGER. We will look into it. Senator, we were having trouble getting our automotive manufacturers to bid on these procurements since we were so stringent in our specifications. I have been going out trying to buy off-the-shelf vehicles and to modify them. We could use more automotive manufacturers having an opportunity to bid on our procurements. On top of that, it probably keeps the price per vehicle a lot cheaper for us than if they have to tool up just to build 17,000 vehicles to postal specifications. That is the way it would work for that type of vehicle, and we would have to pay the bill for that. We have been trying to initiate an off-the-shelf type of approach for our vehicle procurement. We are still going through the General Services Administration on these buys. We are hopefully going to be able to work with them, on our passenger type vehicles particularly, to see if we can't get the standardized government vehicle so the cost per vehicle is less.

Senator STEVENS. Senator Mattingly?

Senator MATTINGLY. I keep getting confused when we start talking about the postal department, trying to determine whether they have good service or bad service. Every time I go home they say it is bad service. But you made a comment that it would cost $3 billion more and you would have more employees than what you have. What do you base it on? Have you done a study?

Mr. BOLGER. No. I said I will look into these projections. Senator Stevens asked me for a projection on this.

Basically we would work it backwards. We know what we have accomplished in productivity increases through mechanization. If we didn't have that mechanization and we had our current volume, we could determine what it would take to handle mail the way we used to—the manual processing of mail; what it would mean to us on presorted mail—the steps the customer takes in preparing the mail for us—if we had to do it in-house; the number of employees it would take today and the time to process carrier presorted mail compared to a letter you drop in the mailbox which we must accept, collate, and deliver. If you drop it in the corner mailbox, we might have to handle it perhaps 9 or 11 times before it got to its destination point. When you are paying your employees 20 cents a minute with fringe benefits, it costs money. If you add steps into the processing, that would mean more people and employees.

Senator MATTINGLY. I just wondered what you based your savings on. It seems like it would be kind of tough to base it on something you didn't have any prior data on.

Mr. BOLGER. Just a rough figure.

Senator MATTINGLY. I have been in business myself.

Let me ask you another question. Have you ever gone to UPS?

Mr. BOLGER. Pardon?

Senator MATTINGLY. Do you have a relationship with UPS, a talking relationship with those people?

Mr. BOLGER. Oh, sure we do.

Senator MATTINGLY. Do you ever go to UPS and find out why they can deliver better, faster, and cheaper?

Mr. BOLGER. Basically we have.

Senator MATTINGLY. Has the postal department decided to use any of their ideas?

Mr. BOLGER. We use some of the same principles they do in our delivery and processing. They have a different way of operating. They do not have all the retail outlets we do. They do not have to do anything unless somebody calls for their service. They do not have to be available to every individual customer each day. They do more volume handling. They do more contract-type of work with volume mailers, department stores, and the like, than we do.

That is one of the things I have been trying to do. I want to get contracting authority with volume mailers and have a type of contractual arrangement with volume mailers similar to what UPS has—and not just for parcels either. It can be done for magazines or newspapers. Indeed, it could even be done for utility bills.

I think if we are going to provide these services for volume mailers we ought to have contractual authority to conduct business with them. We do not at the present time.

Senator MATTINGLY. I guess each time I talk about the mail everybody says if so-and-so it would be worse than what it is. That is like going from 15 cents to 18 cents or 20 or whatever it might be, that if we hadn't done this, we would be worse off.

It just appears that at your conclusion each time we keep talking about whether the service to the people, which is the ultimate, whether they are getting their 18 cents worth now. I think the question is whether we are really increasing service, even though you have x billions of mail, and you draw a corollary then between us and UPS; they handle so much less. I think therein lies something that you need to look at; I think not the quantity there, but how they are doing it so much more efficiently.

I wouldn't worry about whether people want to bid for the Federal Government work. There is a reason why that is. Maybe it is not your job to bid with the Federal Government anymore. Obviously they don't want to do business with the Federal Government.

Mr. BOLGER. My feeling is the Federal Government, and other levels of government, should get out of people's lives if they could. If there was some way in this country that the private sector could do everything we have to do, serve everybody, everywhere, with universal pricing, I think they would do it. I think I would turn the keys of the building over to them this afternoon if they would take that charge and do it.

Senator MATTINGLY. That may be a way. That ought to be looked at also. If we talk about electronic mail or nine-digit or whatever it is, it is the same thing, I believe, all tied together. Is this going to be the ultimate way that we need to go for delivery, for increased service to the people of our country, because I think it is there that—maybe when you get outside this room people don't think it is too good.

Mr. BOLGER. Frankly, at some point in time the technology of electronics is going to take over the physical handling and processing of not just the Postal Service type of mail but any type of mail that can be transmitted that way, whether it is done in the private sector or by the Postal Service. I certainly don't have my head in the sand on that one. Sometime in the Postal Service—and hard copy is still the way it should ultimately be delivered—we should

be using that technology, just like we used every other new technology over the past years, but at some remote point in time. Whether it will be the year 2000, as some people predict—I don't think that is the case—or the year 2050, sometime we will find people will be receiving mail electronically in their homes. There is no doubt in my mind that that will happen.

But if you look at your own mail, you get primarily advertising and bills. It would be a tremendous monthly, recurring charge to get it in your home. I don't think the people are ready, willing or able to pay a monthly charge to get their advertising or bills that fast. I don't think it is in the cards for human beings to react that way. At some point in time, they will find they can get this electronic service from the home box office or whatever for a modest, monthly, recurring charge, in conjunction with some other convenience they have, TV programs or what have you. When that day comes, they are going to do it. They are going to use it.

Senator STEVENS. Senator Durenberger?

Senator DURENBERGER. No.

Senator STEVENS. When UPS can deliver a parcel post and mail of all types, including foodstuffs, to Atka, Shishmaref and Unalakleet, for the same price you can do it, I would be happy to help you turn the Postal Service over totally to the private enterprise system. Until that time, there is a mandate in this country that every person in this country is entitled to be able to receive and send communications to anywhere else in the country at a uniform rate which UPS does not have.

Mr. BOLGER. That is right. Senator, I would suggest it is not just Alaska. Parts of Georgia and Minnesota would be in the same boat. As a matter of fact, even downtown Washington and the South Bronx. We serve areas that would not be profitable to the private sector.

Senator STEVENS. That doesn't mean we ought not to get mad at the Postal Service once in a while. [Laughter.]

Senator Durenberger?

Senator DURENBERGER. Bill, I don't know if you have any way of knowing the answer to this one, but I am thinking about the question Mack was asking you. Do you know how often mail which originates here in the District directed to New York City leaves the Washington post office?

Mr. BOLGER. Several times a day. It goes out on available dispatches. We have key dispatches we deal with. I could supply that for the record. We do have scheduled dispatches for going out of Washington to New York and other points in the country.

[The information referred to follows:]

MAIL DISPATCHES—WASHINGTON, D.C. TO NEW YORK, N.Y.

Transportation mode	Origin	To	Dispatches
Highway	Washington Post Office	Morgan Station	3
Train	Washington Union Station	GPO New York	6
Air	Washington National Airport	LaGuardia Airport	15
Air	Washington National Airport	Kennedy International Airport	5
Total			29

Senator DURENBERGER. Let me give you a couple of observations. Some are reactions to the questions which were asked about your statistics. You are clearly a marvel when it comes to providing statistical backup for a variety of things. I think part of the reason is because you have been at it a long time. You understand the business better than anybody else.

Last week I had 2 days of hearings on the Small Business Capital Formation Act in Minnesota. At each of those hearings someone got up and talked about the Postal Service. I didn't solicit it. I am not very famous in Minnesota for opposing the nine-digit ZIP code, as others are in other parts of the country. What came up was how tough it is for small business to compete with everyone else. They used the Postal Service as an example of the problem.

The first one was a guy who uses first-class mail for a variety of purposes on a very low volume. He stood and waved a whole bunch of things which he had gotten from the junk mailers—as he calls them—the large volume people. As he slapped these things down in front of me, he said,

> Look at these. What did it cost to mail these? Ford Motor Club, Book-of-the-Month Club, Reader's Digest. Eight cents, 8 cents, 8 cents. Do you know what I did with them? I took all of it into my local post office and said, "If I want to mail this stuff, what will it cost me?" If you look on the back of each, it says 51 cents, 53 cents. Look what you guys are doing to small business.

That is just one observation. I know the answers. I tried to explain it to him. But I think that is a problem of this whole rate business.

The second issue that just keeps coming up repeatedly is whether we should use nine digits, or something else, to speed up the process of mailing. Despite all of the statistics you have given so far on the wonderful thing that happened in automation, I would defy you to prove to the American people that you have gotten to the heart of the problem of utilizing the U.S. Postal Service. This includes speed, accuracy, timeliness, and all of those kinds of things. Whether you can prove it, or not, is irrelevant. The point I am making is that the American people don't trust the U.S. Postal Service to get a communication from me to Mack within a certain reliable period of time. Whether it is 24 hours or 3 days. We all know that it takes 5 days to get a letter from here out to Reston or Bethesda. It has happened to other people. So we use telecopiers, TWX's and telephones because of the so-called unreliability. They may get to the three islands or towns that Ted was talking about. It is important they do get there. They probably don't have other reliable forms of communication. But to everybody else in this competitive environment, the timeliness and reliability are terribly important. You should have to fight the UPS, and everyone else. I just want to share with you two things that keep coming through from small, really small, business folks around my State when they bring up the Postal Service and their problems with the Postal Service.

Mr. BOLGER. I understand what you are saying, Senator. But I will tell you it just stands to reason we do a better job today moving mail faster than we ever did before. The time before postal reorganization, we sent our mail—if it didn't have an airmail stamp on it—across the country on a train. There is no train that goes as fast as an airplane. We haven't come up with one yet. We

are now sending all of that first-class mail across the country by air.

We handle 360 million pieces of mail per day. If we only made 1-percent error, that would be 3½ million pieces. But we don't do that. We have too much of it going astray. Some of it is caused by mechanization itself. It isn't the personalized mail you used to get. We used to massage it about five times before it left the origin point instead of one time through a fast mechanization process. That took out the quality control. I don't dispute or deny it. The people couldn't afford it if we went back to that personalized handling of the mail.

I can tell you more mail moves faster today than it did 10 years ago, because we are moving it by air. For every letter that took 4 days, I can show you four that took overnight or got there the next day. There are too many horror stories out there, too many to please me. Some of the things about automation are well taken.

Senator DURENBERGER. One last observation. It doesn't come out of the hearings, so it isn't relevant to that.

We are a very generous people. We accommodate a terrific variety of things under the word mail. I started a collection. One of these days at a nine-digit hearing, or something, I will bring it all in and say to you: When does this generosity end? When do we start putting some demands on people that use our services?

I have already this wooden slate about this long and about so wide [indicating]. It is one of those postcards you pick up when you are out in California at some restaurant—send a postcard to a friend. It is a big piece of wood. You put your, what is it, 15-cent stamp on that piece of wood.

Mr. BOLGER. Eighteen, I hope.

I am sorry; postcard, that is nonstandard.

Senator DURENBERGER. Whatever. You put this relatively inexpensive stamp on this piece of wood. Then you send it in through Bill Bolger's system where it will be reviewed by optical readers, bar code readers, and everything else. It is ridiculous. But we are so generous. We accept big envelopes twice this long with a statement on it that says "Don't bend, staple or mutilate." You have a whole bunch of people out there who go out of their way not to bend it, or fold it, or mutilate it in any way. Nine times out of ten it gets to the guy unfolded, unbent and unmutilated, for only 15 cents.

Mr. BOLGER. I have to take exception. We do have a service charge for that nonmachinable mail.

Senator DURENBERGER. The point, Bill, is that in this whole process of making it self-sufficient, competitive, and the greatest thing since life's bread—like you always were and hopefully will be in the future—there are plenty of other things that need to happen. I don't want to get into all of the business mail and the things that look like fancy Life magazine pictures which are actually envelopes on which some optical carrier reader must find an address. We, in effect, permit business mailers in this country to rip us off by the 2-cent mailers. The little businessmen, individuals, and all the rest of the Americans are supporting the Postal Service with their rates so this can happen. That is an unfair characterization, but it is an impression that is left with the bulk of Americans.

Those are the people we need to make your job easier and to make the Postal Service more effective.

Mr. BOLGER. Senator, the next time you bring it up in brief, you might want to tell them that the revenues from the 31 billion pieces of third-class mail, and the lesser workload to process it very much helps us to keep the first-class rate down. Not everybody gets a letter every day. But we have 136,000 carriers out there every day. They need to be supported by volume. You can deliver three pieces of mail to the same household as cheaply as one—delivered, not processing up to that point. These are things you have to consider. We are a volume-driven business. We need that volume to keep us productive.

Senator DURENBERGER. I know that. You just need to tell the American people that.

Thank you, Ted.

Senator STEVENS. Thank you.

I think maybe we ought to do a little bit more to help you along that line. Mr. Schley, the staff director of the Civil Service, Post Office, and General Services Subcommittee, pointed out to me that page 9 of your annual report for fiscal 1980, shows the comparison of letter rates of 14 nations in private enterprise using the open-market concept. We have the next-to-the-lowest rate in the world as far as the cost of mailing a personal letter.

Mr. BOLGER. That is right.

Senator STEVENS. We are really the lowest in terms of our own denomination. But in terms of the exchange factor, Canada comes out lower because of the international exchange factor. But I think sometimes we forget what has happened in the Postal Service. We do have a lot of complaints.

What are we going to do about Saturday delivery? We have had suggestions to curtail Saturday delivery, to curtail door-to-door delivery, to close small post offices. Every time I hear someone talk about reform, they are trying to cut out the most expensive portions of the Postal Service thinking that it will lead to efficiency. Are you reviewing those suggestions? If you are, what is your current thinking about them?

Mr. BOLGER. First of all, we have an ongoing task force. I have the statistics updated from time to time on this always-prevalent question of eliminating 6-day delivery.

I am personally against eliminating 6-day delivery right now. We are a growing business. We have increasing volume. I seriously doubt we could keep our service standards up if we cut down a day of delivery.

If we had to deliver all of our current volume and growing volumes in 5 days, I don't think we could do it without deteriorating service. It might wind up that we also have a dropoff in volume as a result of it, or no growth as a result of not being able to handle our mail in a timely fashion.

Once we had eliminated the sixth day for a full year, we could save about $700 million a year at today's prices. That represents about one penny on the postage stamp. And it is important. $700 million is a lot of money. But at the present time, I have no plans to initiate action to eliminate 6-day delivery. With the growth we are experiencing, I cannot see us going in that direction.

To deal with the $344 million reduction in our public service subsidies that the President has recommended for fiscal year 1982—and I agree we should take that cut—I plan to try to find ways of further increasing our productivity and our efficiency. With as much progress as we have made, if I can put it in general terms, we still have some fat we can get out of our business.

Each 1-percent increase in productivity we can get each year is worth $160 million to us. To absorb the $344 million, we have to get about a 2-percent further increase in productivity. I have already planned into our budgeting a 3-percent increase in productivity for fiscal year 1982. If I am going to absorb the cut without cutting any essential service, without worsening the deficit position, we will have to have an increase of productivity in fiscal 1982 of 5 percent. I think this is attainable. It is not attainable if I get my hands tied behind my back and am not able to start moving out in other directions, such as automation and finding other ways of improving the efficiency. But I think we can try it without deteriorating service, without eliminating an essential service like 6-day service.

As to small post offices, that is probably the biggest bugaboo I have heard in my life. You get 10,000 or 12,000 post offices closed with $400 to $450 million—I don't know what the right estimate is since I haven't priced it out. I think it would be a mistake to do it. I think some small post offices should be closed and need closing. We proceed down that avenue when it is needed. However, the wholesale closing of small post offices would not be right. We would not be accomplishing our mission of serving everyone at every place at the lowest possible price.

I think they can be made more productive. We are working along that line. I don't have any plans for the wholesale closing of small post offices.

Senator MATTINGLY. Just one last question on the 5 versus 6 days delivery. Mail would get there in 5, though.

Mr. BOLGER. It would get there, there is no question about it. It would eventually get there. I don't know, Senator, with our growing volume if we could save all the money that our estimates say we might be able to. But it would get there, sure. It would get there in 3 days. It would get there in 1 if we had to do it.

Senator MATTINGLY. It seems like in these times of austerity everybody is trying to operate with less. The public is and the Government now is trying the same thing. I think the President is trying, too. And why wouldn't it be worthwhile to maybe test the 5-day for 1 year? I mean, it wouldn't cause any dangerous wrinkles, I am sure, in the postal department—at least try to do it and maybe you wouldn't save $700 million; you may save $500 million.

Mr. BOLGER. You really couldn't turn this on and then turn it off. You might be able to test it in a given market, but I don't think you could say this year we are going to try 5-day delivery and next year we will go back to 6. That is not that easy in a business like this.

Senator MATTINGLY. I mean businesses try different things all the time.

Mr. BOLGER. So do we. Nothing of that magnitude changes——

Senator MATTINGLY. But I am just saying——

Mr. BOLGER. That is not fair.

Senator MATTINGLY. But $700 million is very significant——

Mr. BOLGER. Sure, it is.

Senator MATTINGLY [continuing]. In these times.

Mr. BOLGER. Sure, it is.

Senator MATTINGLY. Let me ask you this: Have you done studies or anything like that to decide about 5 or 6 days? I am not aware of it and you may be.

Mr. BOLGER. We absolutely have. We have done the studies and we have come to the conclusion it is doable if you want to have an adverse effect on service—the service we give today. It is doable and there is the potential of saving up to $700 million if everything went right. That is after you eliminated it for a full year.

Senator MATTINGLY. Is the adverse effect the loss of 1 day?

Mr. BOLGER. Sure. It would be an adverse effect. You would have a delay of mail. Today we deliver a great deal of the mail we receive on Friday, on Saturday. That would not be delivered until Monday. It might have an adverse effect on the economic situation. Some people are waiting for checks or waiting for bills to remit checks, that type of thing. We have looked at 5 days. It is doable.

Senator STEVENS. I know it is, if you don't care about the adverse effects to service. But nobody can tell me they can do it just as well at the same level of service in 5 days as you can do it in 6. The answer is absolutely not. I believe UPS actually works 7.

Mr. BOLGER. Well, we work 7 days a week in processing. We receive and process mail 7 days a week.

Our big problem is most of our mail comes from business. They operate Monday through Friday. The truth of the matter is, if you are going to eliminate a day of delivery in the residential areas, a more appropriate day might be Monday. But we would have all kinds of problems with that. We would have all types of employee problems with that—more than we would have if we just eliminate Saturday delivery. We would have scheduling problems.

If you want to keep preferential mail in particular on a timely basis and, if you are going to eliminate a day of delivery in the residential areas, it should be Monday rather than Saturday.

Senator MATTINGLY. I am not saying you should take a poll or go out and see what the people want.

Mr. BOLGER. We have done that, too—not just my poll; others have done the same type of polling. If you ask people if they can do without Saturday delivery service, about 80 percent of them tell you they can. If you ask them if they want to do without it, about 42 percent answer, "Yes." Then you ask, "Are you willing to do without it if it means a penny less on your postal rate?" That 42 percent increases to only about 47 or 48 percent, depending upon which poll you read at which time.

Senator MATTINGLY. $700 million still sounds like a lot of money to me.

Senator STEVENS. The impact on the mail, Mr. Postmaster General, is that on Monday you would then have to deliver Friday, Saturday, and Sunday mail, correct?

Mr. BOLGER. We would have about 33 percent of our total volume that would be available for delivery on 1 day.

Senator STEVENS. So the impact of the $700 million savings is we would have to design some machines that would take on three-sevenths of the task of sorting and distribution, and you have to have people to deliver the mail on Monday. In the end your savings evaporate.

Mr. BOLGER. Yes. We have looked at the situation. If you wanted to keep your service standards the same for preferential mail just preferential, not the rest of the mail—and deliver it on Monday—with the carrier force you would have left, it would take about 3 hours of overtime per route. Your savings would disappear fast.

Another thing is we would lose volume. There are a lot of angles. We have studied it. I think we can make the studies available. I have a task force report I would be happy to make available.

Senator MATTINGLY. When you lose the volume, though, you also drive down your costs.

Senator STEVENS. No.

Senator MATTINGLY. Wait a minute now.

Senator STEVENS. You don't drive down cost by driving down volume, never.

Senator MATTINGLY. But you are saying the increased delivery on Monday, or whenever it might be, that increases, that it would increase your cost of operation.

Mr. BOLGER. You know, the statistics show clearly you have the potential of saving $700 million. My 40 years of experience tells me you won't.

Senator MATTINGLY. How much do you think you save?

Mr. BOLGER. I don't know. You might come down to about $400 million, if you really got at it. Then I don't know how much volume you would lose. I just don't know. I think you would lose some. One of the competitive advantages we have——

Senator MATTINGLY. $100 million?

Mr. BOLGER. I just don't know. Maybe we ought to make that latest report available to the committee staff so they can look at it to see where we are coming from.

Senator MATTINGLY. We have enough reports, that is all right.

Senator STEVENS. For many places in the country Saturday is meaningful in terms of delivery. If you are going to eliminate delivery on a particular day, why don't we eliminate Tuesdays and Thursdays in the metropolitan areas of the country rather than eliminate the day that the rural people depend on more than any other? Saturday mail means a great deal to the people in rural America. Did you ever figure out what the savings would be if you eliminated Tuesday and Thursday delivery rather than Saturday?

Mr. BOLGER. We haven't figured it out, but we could do that, too.

Senator STEVENS. I think you can manipulate these statistics and show mythical savings in a system that, in my opinion, ought to be everyday delivery. I don't think that there ought to be a day that goes by that the mail isn't delivered to the places where they have post boxes and maybe residential delivery would be another matter. Incidentally, up my way that does happen. When the mail comes in on Sunday, it is put up, whether they are supposed to do it or not. They would be hung if they didn't in those small towns, as you know. [Laughter.]

Some people have suggested that we go back to a two-tier rate structure for first-class mail, one being priority service, something like the old airmail versus surface mail. Have you looked into that?

Mr. BOLGER. There are a couple of countries in the world that have two-tier service. One is France and another is England. We have had some people looking at it. There is discussion at the Postal Rate Commission that they are going to docket a case. We are going to be prepared for it. Very frankly, I don't think it is necessary. I think if you put a two-tier system in, the same thing that happened in Britain would happen here in the United States. A lot of it would go to the lower tier for rates. What you do is you have a lot of volume at the lower tier that is available for you to deliver on the same basis as you had it before when you were getting more revenue for it. There are a lot of complications in it, but we are looking into it.

Senator STEVENS. You have peak weekly, monthly, yearly periods in any event. Friday mails are heavier, as you say. There are days in the month when you know these mass mailers deliver their checks, their bills, their direct mail. Do you have a system to minimize the cost of maintaining peak capacity capability? Is there any way you can offset these costs?

Mr. BOLGER. We have a manpower scheduling system in the Postal Service where we try to minimize fluctuations. What we try to do is to schedule our manpower—our people-power, I should say—and our machinery to handle the peaks without making capital investments just for peak mailing. We try to schedule for a 24-hour day. We have operational plans in each of our major post offices that say they will do such work on a certain tour of duty, certain days of the week. It is a headache. One of the problems with us is we don't know when we are going to get our raw material; that is, when mail is going to be deposited. That is why I would like very much to go into contractual arrangements with volume mailers. I would know how much was going to hit, and where, and I could schedule manpower accordingly. It would help us keep our rates down. So far we haven't been successful getting there, but we are going to get there. That is the thing to do with volume mailers. There is a system called red-tag service. It has caused a lot of controversy for magazines. One of the advantages of that service is it will give us a certain number of companies with a specific time for delivery. We know how much will arrive and when. That is very helpful in scheduling manpower.

Senator STEVENS. How about turning that around and telling people who get reduced rates they can only mail if they bring it in for certain delivery in the off-peak times?

Mr. BOLGER. First of all, we do process nonpreferential mail in the off-peak periods.

Senator STEVENS. Can you mandate them not to bring it into the system until a particular time?

Mr. BOLGER. We have, for nonpreferential mail, certain places where and certain hours during which they can deposit it. The truth of the matter is they can throw it in the corner collection box. They are not supposed to do it, but they do. We have been trained to be very mindful of our requirements on this thing and to enforce them. But I think we would be better off if we approached

this on a cooperative, contractual basis rather than trying to impose some regulations that are probably unenforceable.

Senator STEVENS. I think maybe Senator Durenberger's comments about his small businessman's complaints could partially be met if they realize they don't get the same service as the person who pays the full rate. By that I mean I really think you ought to be more specific about when they can call the Postal Service for these services that they receive a discount rate on. Do you have authorities sufficient to do it? Do the statutes allow you to tell them you will not accept the mail and you will return it if it goes in the wrong receptacle? Suppose they put it in the wrong receptacle?

Mr. BOLGER. We have the administrative authority to do something about it, and we do.

Senator STEVENS. Do you do it?

Mr. BOLGER. Frankly, we warn them. We have instructions out to the postmasters. If they repeat it a number of times, they send it back to them and don't process it.

Senator STEVENS. Can we deny them that class of mail in the future for that period of time?

Mr. BOLGER. It would be very difficult; we probably could. I think we could go through an administrative process to revoke the permit. We would probably have to face you in an administrative hearing on it.

I think the answer to your question, do we have the authority to initiate that action, is yes.

Senator STEVENS. Your legal authority is sufficient today to provide those sanctions if you were to do so.

Mr. COX. I think so; yes. If there was any question about that, then some facets of it have to go into a Rate Commission proceeding.

Senator MATTINGLY. I think you hit exactly on the problem. I think that is what you and I talked about when you and I met, when I commented you needed better public relations. I know that in volume mail, because I have used it myself, that some of the postal departments are so cooperative and will tell you exactly what to do. I can assure you that those small businesses and individuals have no more idea that this can be done by the postal department than the man on the Moon. Why does it have to be mandated? These are services that are provided by you all to expedite the mail in this country. They are there. I am just saying you could probably relieve a lot of the consternation that has come up between people in politics and individuals in mail if that information was disseminated in a clear and concise manner to the business people and individuals in our country.

I think until such time as you get to the point, which undoubtedly you have to have electronics sometime, but until you get to that point, it is that interim period of making sure these people know what services are available by the postal department. I think you have them. You and I discussed the first time we ever met in my office that the public relations, the opinion of the people about the postal department is terrible. But I think that you all can resolve part of that by—not that you are not trying to be cooperative—but by being able to disseminate that information to those people in

order to make sure they can avail themselves of the service of the postal department.

Mr. BOLGER. I understand what you are saying, and I have seen the editorial comments and heard the comments on TV or through other media. But the fact is that when anybody, not just ourselves, polls about the Postal Service out there, the people perceive it as a pretty reliable service—vast numbers of people perceive it that way. It is not just my poll. It is Roper's and some of the private concerns besides Roper that take polls. The people perceive it as pretty good. They are not completely satisfied; neither am I. But the public opinion of the Postal Service is higher than we think. Sometimes they put it above the telephone service in this Nation.

Senator MATTINGLY. There are things that we can do to make it better.

Mr. BOLGER. You bet.

Senator MATTINGLY. If the postal department told me I shouldn't dump it in a box but, rather, bring it to the post office itself, I can assure you the delivery would have been expedited, you all would have been happier and everybody would have gotten better service.

To follow up on Senator Stevens' comments, I am just saying, can you make them do it? Obviously the answer is "Yes." Why evade it? Why not tell people what they can do to make the service better to them?

Mr. BOLGER. I agree with you. Senator Stevens says Sunday they deliver mail when it is not scheduled to be delivered.

Senator MATTINGLY. We are going to look into that in Alaska. [Laughter.]

Mr. BOLGER. It happens in Georgia, too, Senator. I think sometimes we are overaccommodating. But we mean to be because we are a U.S. Government agency. It is a little bit different than conducting business in the private sector. I want to conduct the Postal Service in a like way. But we are a Government entity and we have to be careful lest we place unreasonable demands on people.

Senator STEVENS. One of the things we lost in the postal reorganization was the public relations activities of the local postmasters. I attended the chamber of commerce meetings in Gustavus before the postal reform legislation and the postmaster was always there. Now he doesn't have to be there and he is not there.

Mr. BOLGER. They are getting back there, Senator.

Senator STEVENS. You might get them back there. That is where they ought to be, as a matter of fact. He is handling the problems on a local level and responding to them on a local level so they don't come here in a crescendo.

Let me get now to the President's program, Mr. Postmaster General. This committee I think, above all others in the Senate, is absolutely committed to the President's program on his economic program. You have indicated, I believe, publicly, that there is going to be no dispute over the budget cuts that have been projected by President Reagan and the Office of Management and Budget. Is that correct?

Mr. BOLGER. That is correct.

Senator STEVENS. Is there any reason to believe that as a result of meeting those budget cuts there will be any decrease in service?

Mr. BOLGER. No, sir.

Senator STEVENS. Is there going to be any necessity to increase postal rates? I am not talking now about your appeal to the Postal Rate Commission over the 2 cents. You did request 20 cents. But beyond the 20 cents, can we anticipate any rate increase as far as postal rates are concerned within this 2-year period we are talking about in the President's program?

Mr. BOLGER. Not because of the cut in the appropriations. If we have to go back for another rate increase, it will be only because the Postal Rate Commission didn't act responsibly, in my opinion, and restore that 20-cent rate we requested. If they do that in the next few weeks or couple of months, we will be able to go at least 2 years without a further postal rate increase.

Senator STEVENS. You are heading into a postal rate negotiation for another term. What will be the terms of the contract?

Mr. BOLGER. I don't know. It has to be, under law, for a minimum of 2 years.

Senator STEVENS. We are talking about at least the same time frame and perhaps more.

Mr. BOLGER. That is right. The law requires that the contracts be for a period of not less than 2 years.

Senator STEVENS. I want to publicly state, as I have privately, I have advised you my opinion is any wage increases must be associated with increased productivity. Is that your goal in these negotiations?

Mr. BOLGER. My goal in the negotiations will be that total compensation must be related to productivity increases; yes, sir.

Senator STEVENS. Are you contemplating any reform or requesting any reform in the structure of the Postal Service as envisioned by the Postal Reorganization Act of 1970?

Mr. BOLGER. I think there are some needed modifications. I frankly think the system of setting our rates and classification rules has outlived its usefulness. I think there must be some modification in this—certainly great modification of the role of the Postal Rate Commission. I have been proposing this be done. There are some other minor modifications that need to be made in the Postal Reorganization Act, but that is the real major one as I see it.

Senator STEVENS. At our first hearing this year I suggested that. We do have an ongoing study to determine what suggestions we will make on the modifications of the Postal Service as a result of that. But can we anticipate that either you or the administration will request this committee to consider modifications to the Postal Reorganization Act of 1970?

Mr. BOLGER. Yes, sir. We will do it. We have some proposals. I will be glad to get them up to you, together with our reasoning behind them.

Senator STEVENS. We will be happy to set our hearings on that.

One last question concerns the reductions in your past debts. The Postal Service has some substantial debts, does it not?

Mr. BOLGER. Yes, sir.

Senator STEVENS. What is the level of those debts now?

Mr. BOLGER. $2.5 billion I think it is. Mr. Cox can get the exact figure. We have been reducing those. We haven't had any addition-

al borrowing in the last 4 years, I am proud to say. I don't plan to be asking the Board of Governors to borrow for operating purposes this year. We have been repaying modest amounts, to be sure, but we have made repayments each year on the debt. One period of time in the year we had a surplus. We prepaid 8 months in advance $375 million we owed the Treasury.

Senator STEVENS. You are talking about the long-term debt, are you not?

Mr. BOLGER. Yes.

Mr. COX. $1.6 billion.

Mr. BOLGER. It is $1.6 billion right now.

Senator STEVENS. Do you have any other long-term debt beyond that?

Mr. BOLGER. No, sir.

Senator STEVENS. Is that long-term debt in Postal Service bonds?

Mr. BOLGER. In Treasury bonds and some Postal Service bonds. A quarter billion dollars in Postal Service bonds that mature in 1992. We have a sinking fund we have set aside for that. The set-aside I think is $10 million a year. We are using that money to finance some capital investments in buildings. But we are doing a set-aside on that to repay that debt in 1992.

Senator STEVENS. In doing that, I understand that you are not setting aside the funds you have collected, but you have been using them to meet some costs. Are those investment costs that will lead to the soundness of the fund when it comes time to retire it, or are we going to look to the Congress to pay those off appropriated funds when they mature?

Mr. BOLGER. If we manage the financial operations of the Postal Service appropriately—and I think we are—we should have those funds available when it comes to paying off those debts. There will be some need to recover our prior year losses from other postal rate increases. That is part of our problem. This is part of the argument over the 18-versus the 20-cent rate. I think we are financially sound. I think we can remain that way.

Senator STEVENS. Is there any part of the debt retirement tied into the 2-cent amount that is on appeal to the Commission?

Mr. BOLGER. Part of our total needed revenue is tied in with it. We have some debts we have to pay off each year. We pay a percentage of our debts off each year. As it relates to total revenue requirement, yes, it is tied in.

Senator STEVENS. How do you plan to absorb the budget cuts that have been imposed? First let us state for the record what you are absorbing as a result of the change in the budget.

Mr. BOLGER. For this year, there is a rescission of $250 million. We will absorb that through an increase in productivity. We had preplanned, with that $250 million, an increase in productivity of 3 percent. We have to get 4 percent or a little bit better than four to do it. At the current time we are operating on a productivity increase of 4.3 percent. For fiscal 1981–82, we are going to be asked to reduce our public subsidy by $344 million. That will take an increase in productivity, which is the way I plan to absorb it, and improvement in the management of our operations, of an additional 2 percent over our forecasted rate of 3 percent. I think we can do that, too.

Senator STEVENS. What you have to attain then is a 5-percent increase in productivity in these 2 years in order to stay current and absorb the amount of money that the President has asked you to absorb.

Mr. BOLGER. That is correct. Of course, you know, Senator, although we have the borrowing authority, it wouldn't do any good because we borrow from the Treasury. It isn't going to help the fiscal condition of the Government a bit if we have to go out and borrow from it.

Senator STEVENS. What if you lose this appeal on the 2 cents? What will that mean to your ability to absorb these cuts?

Mr. BOLGER. My ability to do so will be diminished. That leaves us with $1 billion shortfall in our revenue requirements over what we call the test year. My only answer to that, frankly, is to come back and ask the Governors for permission to file for another rate increase sometime later this year.

Senator STEVENS. Will that bring the question of the 6-day delivery back into focus?

Mr. BOLGER. It could. It could bring that back into focus. That is one of the possible alternatives.

Senator STEVENS. What are your other alternatives?

Mr. BOLGER. I think that is the only one of any major significance. Even with that, Senator, we are talking about starting to absorb this money in October 1981. That is when fiscal year 1982 begins. There is just no way that you are going to get those savings out from eliminating 6-day delivery out that soon. In my estimation, and I have had a wee bit of experience in the Postal Service, at least 15 or 18 months after you press the button, you start realizing the savings.

Senator STEVENS. Very well, Mr. Postmaster General. I thank you for coming to give us your report to comply with the statutes. Again I want to tell you I think the Postal Service is doing a good job. We all get complaints. I hope you continue to get complaints, because complaints to a government agency are one of the primary essentials for democratic process to function properly. I don't imagine there are too many people complaining about those other postal services that are not listed in your annual report, or they don't disclose their costs and they don't disclose the statistics of their operation. We do. I think that occasions for the public, either personally or through their elected representatives, to convey their complaints to your agency, as well as all other agencies, are absolutely essential to the function of our Government.

We will have another hearing on Wednesday, April 29, where we will examine the ZIP+4 concept in depth, the bill I have introduced to assure it would be a voluntary concept, as well as the bill Senator Durenberger has introduced that would prohibit the ZIP+4. It is my understanding that the committee intends to take up those two bills soon after the hearing on April 29. So this issue will be before the Senate, I feel, sometime during this session.

Mr. BOLGER. Thank you.

Senator STEVENS. Thank you very much, gentlemen. The committee is recessed.

[Whereupon, at 9:30 a.m., the committee was recessed, to reconvene at the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

U.S. Postal Service Responses to Questions Submitted by the National Association of Home Builders

Question 1. What is the U.S. Postal Service policy for providing delivery service to new subdivisions? What options are presently available to the new homebuyer?

Answer. Establishment of delivery service will be considered when the following essential requirements are met:

a. Within the area to be served there is a population of 2,500 or more or 750 possible deliveries. (The postal population may vary greatly from the general census population because of different boundary interpretations and designations.)

b. Fifty percent of the building lots in the area to be served are improved with houses or business places. Where a house or building and its yard or ground cover more than one lot, all lots so covered are considered to be improved.

c. The streets are paved or otherwise improved to permit the travel of post office vehicles at all times without damage or delay.

d. Streets are named and house numbers are assigned by the appropriate municipal authorities in a manner that precludes duplicate mailing addresses.

e. The street signs are in place and the house numbers are displayed.

f. The rights-of-way, turnouts, and areas adjacent to the roads and streets are sufficiently improved so that the installation and servicing of boxes will not be hazardous to the public or postal employees.

g. Satisfactory walks exist for the carrier where required.

h. Approved mail receptacles or door slots are installed at designated locations.

Extension of city delivery service is the initiation of city delivery service in any areas which are not included in the boundaries of present delivery service, but which are part of a community for which city delivery service has already been established. The delivery service requirements for extensions are the same as those listed above for establishment, except that Paragraph a does not apply to extensions.

Exception: An exception to the criteria for extension of city delivery, which pertains to the 50 percent improvement criterion, may be made under the following conditions:

There is a reasonable expectation that the 50 percent improvement criterion will be met within 12 months; and,

Delivery will be accomplished through the use of clusterboxes/neighborhood box units.

The carrier delivery options for all new residential areas, except apartment houses and mobile or trailer homes, are either curbside, sidewalk or central delivery. Other delivery options may include Post Office Lockbox/Caller Service and General Delivery.

Question 2. What future role is the Post Office contemplating for delivery service to both new and existing customers? Are cluster boxes perceived as the only delivery option of the future? Does the Postal Service have any plans to convert existing door-to-door delivery to curbside or cluster box delivery?

Answer. There are no immediate plans to change the options of delivery as stated above. Any conversions from existing door-to-door delivery to curbside or cluster box delivery would be on a voluntary basis or at the request of the customers concerned (for security reasons clusterboxes may be desirable). Cluster boxes are not considered to be the only delivery option of the future.

Question 3. What is the cost of various kinds of delivery service?

Answer. The annual cost of each carrier delivery in fiscal year 1981 is: door delivery, $86; curb delivery, $69; and neighborhood delivery and collection box delivery, $43. These amounts and the difference between them, are increasing each year.

Question 4. Is there any way to reduce costs other than to cut back on delivery services? What percent is manpower to the total postal budget?

Answer. We have constantly been reducing costs through mechanization and good management practices. It is not our intent, at this point in time, to cut back on delivery services. Neighborhood delivery and collection boxes do not in our opinion "cut back" delivery service.

Personnel costs are 85 percent of the total postal operating budget.

Question 5. What would it take in increased manpower and postage to provide door-to-door delivery to everyone in residential areas other than apartment dwellers?

Answer. Present city delivery costs are over $4 billion per year. To provide door delivery to everyone including apartment dwellers would increase that cost to approximately $6 billion using current labor wage rates.

Since our statistics on central delivery do not separate the number of apartment type deliveries from other centralized deliveries, we are unable to provide an estimate excluding apartment dwellers.

Question 6. Would you provide a chronology of the discontinuance of door-to-door delivery and the advent of the increasing use of cluster box delivery? When is both door-to-door delivery and sidewalk or curbside delivery still available?

Answer. Door-to-door delivery has generally not been discontinued where it has already been initiated. What has been generally discontinued—over the past 15 years or so—is the initiation of new door-to-door carrier delivery. Since 1896 door delivery has never been an option for customers served by a rural carrier.

Door or foot delivery was one mode of initiating carrier delivery on city routes from 1869 until the early 1960's. However, during this period, "mounted" city delivery routes were also initiated where mail was delivered to curbside mail receptacles.

In May, 1963, the Post Office Department issued instructions to all post offices requiring that mounted city delivery must not be converted to foot delivery. The instructions also stated that city delivery extensions would be authorized to curbside boxes only.

In June 1963, the instructions were modified to read:

"1. Conversion from Rural to City Delivery will not be made if overall operating costs are increased.

"2. Conversion from curbside boxes to door delivery will not be made.

"3. Where requirements are met, door delivery service may be extended, consistent with service in the area. However, wherever possible, and if practicable, it is desired that extensions of city delivery service be made to curbside boxes. . . ."

In March, 1966, the city delivery policy was modified to permit the following exceptions:

"1. Door delivery may be granted to new buildings where door delivery is in the same block. This will be considered as in-growth;

"2. Curbline delivery may be converted to door delivery where door delivery is in the same block, if the patrons request such conversion;

"3. When city delivery is initially established at a post office, door delivery may be granted to business places only. Curbline will be provided to all residents. . . ."

In October, 1966, the Postmaster General rescinded the May 1963 order banning door delivery for new residential areas. Three steps were taken, consistent with available funds and other service needs, to restore door service. Under the order, postmasters were required to determine where and how door service would be substituted for motorized curbline delivery. Regional Directors were required to act on the recommendations, in line with local needs and availability of funds.

In December, 1966, new guidelines were issued for establishments and extensions of city delivery service. Door delivery was afforded in principal business districts and in residential areas meeting criteria in Sections 352.21 and .23, of the Postal Manual then in effect, supplemented as follows:

"1. Door delivery may be provided in densely populated residential areas where the average lot frontage does not exceed 75 feet, average set-back distance from the carrier's line of travel does not exceed 50 feet, and development is at least 50 percent;

"2. Door delivery shall be provided where the area is completely or predominantly in a district formerly receiving door delivery, such as urban renewal areas;

"3. Door delivery shall be provided where the area is surrounded, or contiguous to door delivery territory;

"4. All other establishments and extensions of city delivery service normally should be by motorized delivery to curbside boxes."

In September, 1972, this policy was changed generally so as to restrict the door delivery in new areas to business districts and residential areas where the lot frontage did not exceed 50 feet and the average set-back distance from the carrier's line of travel did not exceed 30 feet. The September 1972 guidelines also authorized cluster box delivery (Neighborhood Box Units, Delivery Centers, etc.). The 1972 regulations also made new door-to-door delivery subject to approval by the Regional Postmasters General. By 1973 door-to-door authorizations were generally not approved at the Regional Headquarters level due to budgetary constraints.

In November, 1976, postal delivery policy was modified by the enactment of PL 94-421. The law required that only door or curbline delivery be offered through March 15, 1977. The guidelines permitted clusterbox service in exceptional situations where cluster box service was required to meet customer needs; for example,

where customers purchased or installed cluster boxes before the law was passed, or for some other reason customers desired cluster box delivery. Another exception involved "fill-in" of residential areas already served by cluster boxes. All exceptional situations required the approval of the Senior Assistant Postmaster General, Operations Group.

In October, 1978, a final rule on city delivery policy was published in the Federal Register, generally adopting a proposal published in March, which eliminated the unutilized authorization for door delivery to new city delivery single family homes on small lots. Door delivery was retained only for hardship cases and "fill-in" homes built within a block already receiving door delivery.

In July, 1980, delivery policy was modified to provide for an exception to the 50 percent improvement criterion for the extension of city delivery (refer to question 1 for details).

In March, 1981, a final rule was published in the Federal Register, generally adopting a proposal published in 1980, which modified postal regulations so as: (1) to authorize the procurement, installation, maintenance, and replacement of neighborhood delivery and collection boxes and parcel lockers by the Postal Service, when the Postal Service determines that its provision of central delivery will improve the efficiency of carrier delivery service; and, (2) to limit the size of each procurement, and decentralize the procurement authority, so as to be sure to preserve the competitive structure of the industry. No requirements would be placed on the general public.

Door delivery may be provided to new homes only under the "fill-in" or "hardship" exceptions. It generally continues to be provided in old city delivery areas in which door service was initiated under former regulations.

Sidewalk and curbside delivery generally continue to be provided in areas where it was initiated under former regulations. Sidewalk delivery may be provided to single family homes in new residential areas, except apartment houses and mobile homes. Wherever conditions permit, if the lot frontage is 75 feet or less, the boxes may be placed behind the sidewalk, without being grouped together. But if the lot front is more than 75 feet, boxes must be installed in groups of at least two. If the average lot frontage is 50 feet or less, customers may locate their mailboxes at the edge of the sidewalk nearest the residence so that the carrier can serve them from the sidewalk. Once the mode of delivery is determined, local postal managers must approve the placement of mailbox equipment.

Question 7. How many people or households receive their mail by door-to-door delivery, curbside delivery, sidewalk delivery and cluster box delivery? Are any of these more prevalent in one part of the country than another?

Answer. While we do not collect data on the number of people or households that receive mail, our data shows the number of possible deliveries, which could reasonably be used to determine the relative number of households. A possible delivery is defined as a physical location on the letter carrier's route where mail is authorized to be delivered.

As of year end of fiscal year 1980, city carriers served some 68.5 million possible deliveries. In addition, our rural carriers delivered to some 14.7 million rural route stops and we had 9.5 million post office lockboxes rented.

Of the 68.5 million possible deliveries, served by city carriers, approximately 49.5 percent are door deliveries; 18.9 percent are curbline deliveries; 23.3 percent are centralized deliveries (includes apartments) and 8.3 percent are business deliveries.

Of the 14.7 million rural stops, the majority are served via curbline receptacles.

The following table shows a breakdown of the percent of total possible deliveries by geographical location. It also shows what percent of the total possible deliveries within a geographical location are serviced by door, curb, central or business deliveries.

POSSIBLE DELIVERIES-DISTRIBUTION BY TYPE AND GEOGRAPHICAL LOCATION

[In percent]

Geographical location	Total possible	Door	Curb	Central	Business
Central	25.7	55.8	17.0	19.5	7.7
Eastern	13.1	59.1	15.0	18.7	7.2
Northeast	15.9	42.1	9.4	39.9	8.6
Southern	23.3	44.1	28.0	18.5	9.4
Western	22.0	47.6	20.5	23.7	8.2
National	100.0	49.5	18.9	23.3	8.3

Note.—This data does not include the 14.7 million rural stops that are generally served via curbline receptacles.

Question 8. How many new points of delivery does the Postal Service anticipate serving each year? What percent is this to the total number of points serviced?

Answer. We anticipate 1.6 million new deliveries in fiscal year 1982, of which 1.2 million would be city deliveries. This is approximately 2 percent of the total number of points served.

Question 9. What is your definition regarding 50 percent developed in referring to subdivisions? How do people get their mail prior to a subdivision's being 50 percent developed? Does the size of a subdivision make any difference in determining the 50 percent developed question?

Answer. As used in USPS requirements, the 50 percent development requirement is measured by building lots. A building lot is a parcel or quantity of land, as surveyed and apportioned with fixed boundaries. An improved building lot is one on which construction has begun with at least a foundation in place on the lot. When establishing city delivery service, all lots in the area to be served are counted to determine the 50 percent improved criterion. When extending city delivery service, the lots taken into account are those that would be passed by the carrier route that is proposed to be extended.

Customers that move into a subdivision that is not 50 percent developed, and where the cluster boxes/neighborhood box unit option is not chosen, those customers may receive their mail through General Delivery (pick up at the post office), or a post office lockbox.

The size of a subdivision does not affect the 50 percent requirement.

Question 10. What is the definition of a new subdivision? Would not building in an existing community or city limit area be construed differently than building outside that area?

Answer. Postal regulations do not use the word "new subdivision;" they refer instead to an "establishment" or "extension" of carrier delivery service. The regulatory definitions of these terms are found in Part 155 of the Domestic Mail Manual.

Establishments or extensions embrace any situation where carrier delivery service is to be initiated where it has never been authorized before. No distinction is drawn between an existing community or city limit area and building outside it. Such distinction would be difficult and not very useful to draw, since most areas of new construction arguably are in some way within some community or municipal limit.

Question 11. Who is responsible to provide or pay for mailboxes in new subdivisions?

Answer. Generally, the customer is responsible for providing or paying for his or her mailbox, except in cases of neighborhood delivery and collection boxes and parcel lockers which the Postal Service agrees to purchase.

Question 12. Who is responsible if locked cluster boxes are broken into?

Answer. The Postal Service is responsible for the repair and maintenance of those neighborhood delivery and collection boxes and parcel lockers which it owns, and will repair those it does not own with the consent of the owner.

Title 18 U.S.C. 1705 provides for fines and imprisonment for persons convicted of malicious injures or destruction of any letterbox or other receptacle intended or used for the receipt or delivery of mail on any route; or breaking open same or willfully defacing or destroying of mail deposited therein. These penalties apply regardless of who owns the mailbox. In addition, there are federal laws against mail theft, 18 U.S.C. 1707, 1708; a federal law against destruction of Government property, 18 U.S.C. 1361, and concurrent State and local laws penalizing burglary, theft, and destruction of property.

Question 13. Who has supremacy over a local ordinance that prohibits the installation of mailboxes at the curb?

Answer. Federal regulations preempt conflicting local ordinances under the "supremacy" clause of the Federal constitution (Article 6, Clause 2). Federal postal delivery regulations let the customer decide whether he or she wishes to comply with a local ordinance purporting to prohibit curbside mailboxes. If the customer erects the box, the Postal Service will deliver to it, notwithstanding any local ordinance to the contrary. If the customer chooses not to erect the box, the Postal Service offers the customer any other form of delivery service for which the customer is eligible or can establish eligibility under Postal regulations. The governing regulation is DMM 155.27 which reads as follows: "Local Ordinances.

"If a customer chooses not to erect a curbside box because of a local, city, county, or state ordinance prohibiting the installation of mailboxes at the curb, the delivery options in establishments are:

".271 Central delivery service may be provided at one or more central points in a residential housing development community or area, if:

"*a.* The local postal managers approve the mailbox site and equipment;
"*b.* there is a minimum of two mailboxes erected at each mailbox site (there is no maximum limit); and
"*c.* the customers are not required to travel an unreasonable distance to obtain their mail; or,
".272 Lockbox or general delivery service may be provided at the nearest postal facility where carrier delivery emanates."

Question 14. Who is responsible if the concrete that cluster mailboxes are set in is in the way of providing for or repairing underground utilities?

Answer. With careful planning and close coordination with builders and city planners, we generally avoid these types of problems. In particluar cases, the USPS would assume responsibility to relocate this equipment, depending upon the circumstances.

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